

REPORT

OF THE

TOBACCO EXPERT COMMITTEE

1956-57

सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

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INTRODUCTORY

The terms of reference of the Committee are contained in Resolution No. 20/8/55-CX, dated the 17th January, 1956 of the Government of India, Ministry of Finance (Revenue Division). Briefly speaking, they are to review generally the departmental procedures now in force for assessment of duty on tobacco on the basis of its capability of use or otherwise for the manufacture of biris, laid down in items 9I(5) and 9I(6) of the Central Excise tariff on tobacco other than flue-cured, read with the notified and executive concessions authorised by the Central Board of Revenue, and to consider generally the methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment and to recommend measures for remedying the defects, if any, in the existing methods; in addition to this, to examine and report on other matters germane to this investigation.

Dr. T. G. Shirname was appointed a member of the Committee on 24th March, 1956. Of the other members initially appointed, Shri C. G. Guruswamy Naidu did not confirm if he was willing to serve on the Committee. As such, Shri M. Abu-Backer, Pallikere, was appointed a member of the Committee in his place on 7th July, 1956.

The Committee issued its Questionnaire on 24th February, 1956 to 245 trade associations, 62 Chambers of Commerce, 89 officials, 36 Co-operative Societies, 45 Members of the Indian Central Tobacco Committee, 104 other individuals, and 12 members of the Tobacco Export Promotion Council. In addition to this, the Committee received general statements of views and useful notes and memoranda from 104 individuals, associations, etc. The Committee acknowledges the co-operation and help extended to it by all these persons. In addition to these, the Committee is grateful to the various State Governments and the Central Excise Officers who were very helpful in arranging the halting and other accommodation during the Committee's tours of the country.

The Committee was directed by the Government of India to complete the task allotted to it within 6 months. Due to the keen interest shown by persons connected with the tobacco trade, and due to requests from a large number of such persons and other bodies for being given an opportunity to give evidence in person, the Committee did their utmost to fix convenient venues during their tour of the country. Due to the comparatively large size of the Committee, and the inability of certain of the members to remain out for prolonged periods in connection with the work of the Committee, the tours arranged by it had to be of short duration. These and the very large number of persons to whom Questionnaires were addressed compelled the Committee to ask for extension of time for submission of the final report. The Government of India was pleased to grant this extension successively up to the 31st January, 1957 and 31st March, 1957.

(ii)

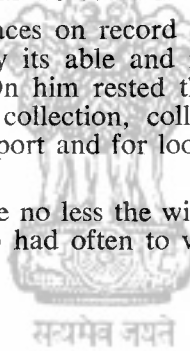
The preoccupation of several members with the General Elections and other pressing work, has slightly delayed the finalisation of the report. The final report was signed on 26th and 30th March 1957. The report was then submitted to the Ministry of Finance (Department of Revenue), on 30th March, 1957.

We take full responsibility for the statement of views made in the report subject to the minutes of dissent of individual members which are appended at the end of the report. Since the major part of the work was concluded before October, 1956, all references to Central Excise and Revenue formations are with reference to the position obtaining before the reorganisation of States.

The main burden of getting this report ready has fallen on Shri R. N. Misra, Secretary of the Committee, and we are very conscious of the great strain it must have put on him to find time for it from his own heavy duties as Collector of Central Excise. We are deeply indebted to him for the thoroughness with which he has applied his keen intelligence and vast experience to this and other work of the Committee, which has considerably lightened our own burdens, and made our work as pleasant as we could have wished.

The Committee also places on record its appreciation of the hard and valuable work done by its able and indefatigable Deputy Secretary, Shri K. R. Mehta. On him rested the main burden of running the office organisation, of collection, collation and summarising the data for the Committee's report and for looking after the arrangements for the Committee's tours.

We wish to acknowledge no less the willing help and efficient work of the Committee staff who had often to work at high pressure.



PERSONNEL OF THE COMMITTEE

CHAIRMAN

1. Shri K. Raghu Ramaiah, M.A., LL.B., Bar-at-Law, M.P., Vice-President, Indian Central Tobacco Committee.

MEMBERS

2. Shri M. Nageswara Rao, Member, Andhra Legislative Assembly, Guntur, Andhra State.
3. Shri R. A. Patil, President, District Local Board, South Satara, Sangli, Bombay State.
4. Shri Mohammad Ayub, Village Rohua, Distt. Darbhanga, Bihar State.
5. Shri Fulabhai D. Patel, Anand, Bombay State.
6. Dr. M. S. Patel, M.SC. PH.D., (N. Carolina), Secretary, Indian Central Tobacco Committee, Madras.
7. Dr. M. B. Ghatge, Agricultural Marketing Adviser, Government of India, New Delhi.
8. Dr. T. G. Shirname, Director of Agriculture, Bombay State.
9. Shri M. Abu Backer, M.A., B.L., Village Pallikere, South Kanara Distt., Madras State (now Cannanore District, Kerala State).

MEMBER-SECRETARY

10. Shri R. N. Misra, Collector of Central Excise, Allahabad.

CHAPTER I

MAIN FEATURES OF TOBACCO EXCISE

1. *History of the Tax*—Although the suitability of tobacco as a fruitful source of revenue was universally recognised, India was till 1943 one of the few large countries of the world where no excise duty was levied on this item. Tobacco products and unmanufactured tobacco imported into India were, however, subjected to a Customs duty but the locally grown tobacco was free from any excise duty.

The main reasons why tobacco was not subjected to an excise duty for several years were that any satisfactory administrative machinery to control the tax from this source would have to be very vast, and due to the widely scattered and unscientific cultivation and wholly unorganised system of production and marketing, the chances of evasion of the tax would have been very great. This problem was not amenable to an easy solution and the administrative machinery required to collect the tax would have been very costly. The problem of taxing tobacco was explored by the Taxation Enquiry Committee of 1924-25 but no satisfactory method of taxing this commodity could be suggested by it. It, however, recommended a system of licensing and monopoly to certain licensees to sell tobacco in specified areas. This was implemented in varying forms in certain states. It also recommended some control to watch the disposal of tobacco by cultivators but no concrete schemes were evolved in this context.

2. (a) *Main Features*—The exigencies of war time finance led to the imposition of an excise duty on tobacco, and a comprehensive system of control was introduced which is continued till today with minor adjustments. The excise duty was introduced under the Tobacco Excise Duty Act, 1943, which was, in the following year, consolidated into the Central Excise and Salt Act I of 1944. The main features of the excise duty on tobacco are:—

- (i) registration of all land on which tobacco is grown;
- (ii) licensing of all persons engaged in the curing of tobacco;
- (iii) submission of returns by certain classes of growers and curers;
- (iv) control over the transport of all forms of unmanufactured tobacco, except tobacco in green state, and tobacco not exceeding 2 seers for personal or domestic consumption;
- (v) licensing of all persons engaged in the storage and sale of unmanufactured tobacco;
- (vi) licensing of brokers and commission agents;
- (vii) maintenance of accounts by large growers and all other licensees (except brokers and commission agents);

- (viii) provision for movement of tobacco from one area to another without payment of duty under bond;
- (ix) postponement of the payment of tax till tobacco is about to go into consumption or manufacture; and
- (x) penal action in cases of breach of the Central Excise Rules and for evasion of duty, etc.

(b) The tax structure was devised, so far as possible, to fit in with the existing trade pattern. Small garden cultivators, who grew tobacco purely for their domestic and house-hold use, were not subjected to any tax, and were exempted from payment of excise duty. It also provided for minimum of official interference with growers and curers who operate on a small scale, and for condonation of losses noticed during the storage of tobacco in curers' premises, and under bond.

(c) The main reason for control over growers and curers is to form a fairly accurate idea of the quantities of taxable tobacco produced, so that the final disposal of such tobacco may be closely controlled with a view to full revenue collection. Control over transport of tobacco is necessary because it is produced in innumerable scattered holdings, moves without payment of duty, as well as in the duty paid state, from one part of the country to another over long distances, and is liable to duty at varying rates. It is essential in the revenue interest, therefore, to identify unmanufactured duty paid tobacco as such. Official control over transport is coupled with a system of accounts at various stages. This enables the departmental officers to establish the bonafide nature of any tobacco finally disposed of to consumers. As tobacco is grown on a fairly large scale in certain well defined areas, but the consumption of such tobacco is spread out all over the country often after the lapse of a considerable time, it would have entailed extreme hardship on the actual producer, who is often a poor cultivator, to require him to pay the excise duty. Hence, the provision for assembly and storage of tobacco without payment of duty under bond either by the curer himself or by other licensed dealers to whom such tobacco may be sold, and its further movement, still without payment of duty, to consuming areas where duty is collected nearest to the point of consumption.

3. (a) *Revenue Potential*—The revenue estimated from a tax on tobacco, when the Taxation Enquiry Committee of 1924-25 suggested this tax was Rs. 1.5 crores. These estimates were confined to the territories then comprised by "British India". By the time, however, the tax was finally imposed, considerable progress had been made in the manufacture of cigarettes in India and the manufacture of biris had become an important and profitable industry. Table No. 1 shows the gross revenue from tobacco since 1943 and its proportion to the gross Central Excise revenue.

TABLE No. 1

*Statement showing gross revenue from Tobacco and Central Excise
(In thousand of rupees)*

Year	Gross revenue from C. Excises.			Gross revenue from tobacco.	Percentage of col. 3 to 2.
1	2			3	4
1942-43	12,65,43			1,50	0.12
1943-44	26,90,25			9,65,25	35.38
1944-45	38,59,08			17,28,27	44.77
1945-46	43,28,83			20,81,97	48.09
1946-47	36,26,86			18,94,49	52.24
1947-48	35,76,01			18,71,75	52.35
1948-49	50,09,86			25,30,02	50.49
1949-50	65,09,22			25,87,75	39.76
1950-51	69,82,26			31,77,82	45.51
1951-52	85,71,86			35,39,55	41.29
1952-53	81,07,98			33,93,99	41.86
1953-54	92,51,31			32,79,18	35.44
1954-55	106,55,01			31,61,26	29.66
1955-56	111,92,19			35,63,64	31.84

Substantial changes in the gross revenue receipts from tobacco are noticed in the years 1943-44, 1944-45, 1945-46, 1948-49, 1950-51 and 1955-56. In the year 1942-43, the excise duty on tobacco was in force only for the month of March, 1943, and the revenue in that year was nominal. In the Finance Acts of 1944 and 1945, substantial increases were made in the rates of duty; in 1948 a duty was imposed on manufactured cigarettes, while in 1951, a further overall increase in the rates of duty on biri, hookah and chewing varieties of tobacco was made. This accounts for steadily increasing revenue from this commodity in recent years. Added to these reasons, some increase in 1950-51 is due to the federal financial integration of certain part B and C States. The increase in 1955-56 is partly due to the several revenue concessions, which encouraged large scale clearances of accumulated tobacco stocks.

Due to imposition of excise duty on several new commodities, notably Vegetable product in 1943, Tea and Coffee in 1944, Cotton cloth in 1949, Soap, Art Silk and Cement in 1954, and Electric Fans, Bulbs, Batteries, Paper, Paints and Varnishes, etc., in 1955, the gross revenue receipts from all Central Excise commodities has increased considerably. Though the proportion of revenue from tobacco in total Central Excise receipts has declined, tobacco still contributes a considerable portion of the total Union Excise duties.

(b) Table No. 2 at page 5 shows the area under cultivation and production of tobacco in successive years since the imposition of Central Excise duty on tobacco.

Production of tobacco other than flue-cured has fluctuated sharply, periods of sharp increase being followed by periods of equally sharp decline. The absence of restrictions on size of holdings in most areas, and the near total absence of quality control (except tobacco meant for the export market), and favourable weather conditions have contributed to the production of large quantities of sub-standard grades of tobacco by inexperienced growers who have, at different periods, been attracted to tobacco cultivation by high prices. The resulting over production not only severely depressed prices but has also resulted in accumulation of large quantities of inferior grades unable to command a market unless subsidised. The over production in 1952-53 crop season created such problems on a scale bigger than the usual, and the crisis in the tobacco trade could only be solved by heavy revenue concessions. The only other possible solution of the crisis would have been the compulsory destruction of all sub-standard grades. The seriousness of the problem has, we are, afraid, not been fully realised by some sections of the tobacco industry, because suggestions were made by some responsible growers and merchants not only for further revenue concessions, but also for state purchase of all unsaleable sub-standard grades of tobacco even if for ultimate destruction.

Replies to the Committee's questionnaire show that hardly any scrap is regarded as unmarketable. Though the practice differs from area to area, the considerable concern shown by some witnesses for sub-standard grades like Bispat, dust etc., is an indication of the desire of operators to continue to pass into consumption sub-standard grades perhaps even at the cost of public health.

As against this, in America, which was faced with similar problems of over production in the 17th and 18th Centuries, planters in Virginia and Maryland destroyed their own crops as well as those of their neighbours to secure effective control over the quality and quantity of tobacco produced. As early as 1619, under the Tobacco Inspection laws in certain important tobacco growing tracts of America, the collection of second growth was prohibited, the lowest grades were ordered to be destroyed, and the marketing of suckers, ground leaves etc., was disallowed.

(c) Table No. 3 at pages 6 and 7 shows the quantities of tobacco of each tariff classification cleared for home consumption.

Table showing the Area under cultivation, and production of Tobacco from 1943-44 to 1955-56
(Quantity in 000 lbs)

Variety	1943-44		1944-45		1945-46		1946-47	
	Area	Production	Area	Production	Area	Production	Area	Production
I. VFC & VAC ..	96,493	71,746	111,340	69,627	111,394	96,066	135,248	93,344
II. I. A. C. ..	380,246	333,513	679,670	635,115	713,695	622,286	398,796	336,864

Variety	1947-48		1948-49		1949-50		1950-51	
	Area	Production	Area	Production	Area	Production	Area	Production
I. VFC & VAC ..	136,874	80,298	125,351	100,540	159,653	104,750	242,363	150,818
II. I. A. C. ..	386,834	355,347	464,720	435,000	636,986	562,468	610,705	530,331

Variety	1951-52		1952-53		1953-54		1954-55		1955-56	
	Area	Production	Area	Production	Area	Production	Area	Production	Area	Production
I. VFC & VAC ..	206,285	141,082	197,557	128,070	201,012	107,632	215,950	117,530	266,463	157,356
II. I. A. C. ..	524,321	531,028	800,161	727,976	769,605	597,561	618,879	495,309	773,198	656,558

NOTE :— VFC means Virginia flue-cured.
VAC means Virginia air-cured.
I.A.C. means Indian air-cured.

TABLE No. 3

*Table showing quantity of unmanufactured tobacco cleared for home consumption,
All India 1943-44 to 1955-56*

(Quantity in 000 lbs.)

Tariff Classification	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56
I	2	3	4	5	6	7	8	9	10	11	12	13	14
1. For Biris	52,589	59,176	61,667	65,818	76,294	93,548	89,972	105,510	116,682	121,320	117,721	122,923	153,041
2. Snuff tobacco	3,091	3,608	6,032	7,791	4,326	4,400	5,556	5,569	8,660	7,579	8,562	9,671	9,680
3. Cigars & Cheroot tob.	27,364	37,627	45,958	49,554	48,196	51,484	49,118	52,205	43,224	40,401	38,151	43,218	45,904
4. Hookah tob	181,271	142,598	178,749	174,194	93,356	107,251	111,198	120,875	120,500	130,484	122,094	120,011	124,935
5. Chewing tob	88,314	92,968	127,116	117,943	116,449	127,267	127,603	129,346	112,776	108,556	109,031	116,973	118,687
6. Stalks	17,510	57,938	31,573	28,285	19,027	20,667	23,933	24,465	27,312	30,135	33,591	28,545	29,124
TOTAL (I)	370,139	393,915	451,095	443,585	357,648	404,617	407,380	437,970	429,154	438,475	429,150	441,341	481,371
II. 1. Tob. cleared for agri-cultural purposes	590	1,485	6,308	24,776	34,748	33,261	23,809	36,000	30,013	36,956	48,041	66,446	72,010
2. Tob. cleared for destruction	759	1,490	3,791	3,791	5,540	3,078	3,798	5,663	4,735	4,153	5,943	6,494	6,737
Total (II)	590	2,244	7,798	28,567	40,288	36,339	27,607	41,663	34,748	41,109	53,984	72,940	78,747

III.

1. Flue-cured tob. used in the manufacture of cigarettes containing by weight imported tob.

Exceeding		Not exceeding														
(i)	60%	—	..	2	1,832	907	1,035	491	363	519	482	328	195	204	194	
(ii)	40%	60%	..	131	1,818	1,638	571	735	1,126	1,455	1,267	1,040	1,070	1,138	677	
(iii)	20%	40%	..	13,336	8,623	7,890	9,089	7,657	4,869	2,857	658	465	96	17	665	
(iv)	—	20%	..	2,642	6,338	7,648	8,069	4,636	5,508	5,130	5,121	4,443	155	—	—	
(v)	Nil & Gulla tob.		..	5,811	11,730	11,761	11,016	8,603	8,382	13,119	18,203	16,363	14,947	22,837	25,660	
(vi)	Notification No. 13 dt- 10-4-54.		—	—	—	—	—	—	—	—	—	—	—	1,026	594	
Total		..	21,789	25,284	30,372	29,099	27,367	21,901	24,985	28,164	23,891	21,223	24,353	25,074	27,790	

2. Flue-cured tob. used for the manufacture of smoking mixtures for Pipes and Cigarettes .. 2,734

3. Other than flue-cured and used for the manufacture of

- (a) Cigarettes .. 11,230
- (b) Smoking mixture for Pipes and Cigarettes .. 11,230

Total (III)	..	35,753	39,322	49,385	44,000	38,464	30,889	36,369	48,591	46,007	42,885	46,125	50,495	59,137
GRAND TOTAL—	..	406,482	435,481	508,278	516,152	436,400	471,845	471,356	528,224	509,909	522,469	529,259	564,776	619,255
(i), (ii), (iii)	..	406,482	435,481	508,278	516,152	436,400	471,845	471,356	528,224	509,909	522,469	529,259	564,776	619,255

(d) Table No. 4 below shows the tariff rates applicable to manufactured and unmanufactured tobacco from time to time.

TABLE No. 4
UNMANUFACTURED TOBACCO
Dates of Levy or Change of Duty

(Rate per lb.)

Description of tobacco	From 1-3-43 to 29-2-44	From 1-3-44 to 28-2-45	From 1-3-45 to 29-2-48	From 1-3-48 to 28-2-51	From 1-3-51 to 1953 and onwards
	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.
I. Flue-cured tobacco intended for manufacture of cigarettes containing the following percentage of imported tobacco:					
(a) Exceeding	Not exceeding				
(i) 60%	..	—	—	7-8-0	7-8-0
(ii) 40%	60%	1-12-0	3-8-0	5-0-0	5-0-0
(iii) 20%	40%	—	—	3-8-0	3-8-0
(iv) Less than 20	..	1-4-0	2-8-0	2-8-0	2-8-0
(v) No imported tobacco	..	0-8-0	1-0-0	1-0-0	1-0-0
(b) Gulla Tobacco	..	0-6-0	0-9-0	0-9-0	(E)
(c) Any other purpose	..	1-12-0	3-8-0	7-8-0	7-8-0
(d) If flue-cured and not otherwise specified from 1-3-51	..	—	—	—	(D) 1-0-0
II. Other than flue-cured and if intended for manufacture into;					
(a) Cigarettes (A)	..	0-6-0	0-9-0	0-9-0	0 9-0
(b) Any other purpose	..	0-6-0	0-9-0	0-9-0	0-12-0
III. Whether flue-cured or not, if intended for manufacture into :—					
(a) (i) Biris (B)	..	0-6-0	0-9-0	0-9-0	0-12-0
(ii) Snuff	..	0-6-0	0-9-0	0-9-0	0-12-0
(iii) Cigars & Cheroots (C)	..	0-2-0	0-3-0	0-3-0	0-4-0
(iv) Hooka	..	0-1-0	0-3-0	0-3-0	0-4-0
(b) Chewing tobacco	..	0-1-0	0-3-0	0-3-0	0-4-0
IV. Stalks and Stems*	..	0-1-0	0-1-0	0-1-0	0-1-0

*From 1-3-45 delete stems.

- (A) From 1st March, 1951 if other than flue-cured and used for the manufacture of (a) Cigarettes or (b) Smoking mixture for pipes and Cigarettes.
- (B) From 1st March, 1951 if other than flue-cured, and not ordinarily used for the manufacture of (a) Cigarettes or (b) Smoking mixtures for pipes and Cigarettes but capable of being used for the manufacture of Biris.
- (C) From 1st March, 1951 if other than flue-cured and not otherwise specified.
- (D) If flue-cured and used for the manufacture of smoking mixture for pipes and Cigarettes.
- (E) Gulla tobacco ceased to be separately specified for purposes of assessment from 1st March 1951.

CIGARS AND CHERROOTS, CIGARETTES AND BIRIS

Rate of Duty

Description	Rate of Duty (per hundred)					
	Exceeds		Does not exceed		Rate of Duty (per hundred)	
	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.	From 1-3-43 to 29-2-44	From 1-3-44 to 28-2-51
I. Cigars & Cheroots of which value per hundred					From 1-3-51 to 1954-55	1955-56
	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.
(i) 30-0-0	—	6-0-0	12-0-0	12-0-0	12-0-0	12-0-0
(ii) 25-0-0	30-0-0	5-0-0	10-0-0	10-0-0	10-0-0	10-0-0
(iii) 20-0-0	25-0-0	4-0-0	8-0-0	8-0-0	8-0-0	8-0-0
(iv) 15-0-0	20-0-0	2-8-0	6-0-0	6-0-0	6-0-0	6-0-0
(v) 10-0-0	15-0-0	2-0-0	4-0-0	4-0-0	4-0-0	4-0-0
(vi) 5-0-0	10-0-0	1-0-0	2-0-0	2-0-0	2-0-0	2-0-0
(vii) 2-8-0	5-0-0	0-8-0	1-0-0	1-0-0	1-0-0	1-0-0
(viii) 1-4-0	2-8-0	0-4-0	0-8-0	0-8-0	0-8-0	0-8-0
(ix) 0-12-0*	1-4-0	0-2-0	0-4-0	0-4-0	0-4-0	0-4-0

*0-10-0 from 1-4-43 to 29-2-44 and 0-14-0 from 1-3-51.

Description	Rate of duty				Description	Rate of Duty			
	From 29-2-48 to 28-2-51		From 1-3-51 to 1954-55			1955-56			
II. Cigarettes of which value per thousand					Cigarettes of which value per thousand				
Exceeds		Does not exceed			Exceeds		Does not exceed		
	Rs.A.P.	Rs.A.P.	Rs.A.P.	**Rs.A.P.	Rs.A.P.	Rs.A.P.	Rs.A.P.		
(i)	50-0-0	...	12-8-0	12-8-0	50-0-0	...	21-8-0		
(ii)	40-0-0	50-0-0	10-0-0	10-0-0	35-0-0	50-0-0	19-0-0		
(iii)	30-0-0	40-0-0	7-8-0	7-8-0	30-0-0	35-0-0	10-8-0		
(iv)	25-0-0	30-0-0	6-4-0	6-4-0	25-0-0	30-0-0	9-8-0		
(v)	20-0-0	25-0-0	5-0-0	5-0-0	20-0-0	25-0-0	6-8-0		
(vi)	15-0-0	20-0-0	3-12-0	3-12-0	15-0-0	20-0-0	5-8-0		
(vii)	10-0-0	15-0-0	2-8-0	2-8-0	10-0-0	15-0-0	2-12-0		
(viii)	...	10-0-0	1-4-0	1-4-0	7-8-0	10-0-0	1-8-0		
(ix)	5-0-0	7-8-0*	...	1-0-0	...	7-8-0*	1-0-0		

* Rs. 7-8-0 from 1-3-51.

** Surcharge 1-3-51 to 28th February, 1955.

Retail prices per 10 Cigarettes :

	Exceeds	Does not exceed		Rate of surcharge per 10 Cigarettes.
(i)	2 annas	5 1/2 annas	..	3 pies.
(ii)	5 1/2 „	.. „	..	6 „

Machine made Biris—Rate of duty (per 1,000) Rs. 3-0-0 (A)

(A) With effect from August, 1954

It will be seen that while the rates of duty on various categories of tobacco have been changed from time to time, the emphasis has been to maintain a certain balance between the rate of duty on tobacco for biris, Cigarettes, and Chewing Chillam etc., types. This has, however, created most of the problems which have beset the administration of this excise, because much of the tobacco consumed in this country is used in its raw form or is manufactured on a cottage industry basis all over the country, and often the same variety of tobacco is put to different uses in different parts of the country. There are very few varieties which due to their special characteristics are not at all used in the manufacture of biris. There are some varieties which are generally produced and used for the manufacture of biris. There are, however, a fairly large number of marginal varieties the use of which varies from area to area.



CHAPTER II

ASSESSMENT OF TOBACCO

4. *Principles of taxation*—Tobacco has been described as “a rich man’s solace and a poor man’s comfort”. Since it is used by all classes of people in various forms, it was necessary to frame the tariff in such a way that the incidence of tax should fall equitably on all classes of people using it. Towards this end, the rate of duty on those types of tobacco which are generally consumed by the poorest class of people was fixed very low. These types of tobacco are generally used for hookah and chewing purposes. For certain other types of tobacco, which are used for the manufacture of biris, cheaper varieties of cigarettes, and smoking mixtures, the rate of duty was fixed higher. For persons using costlier tobacco products like cigarettes made out of flue-cured tobacco, the rate of duty was fixed on a sliding scale so that the higher the percentage of imported tobacco, which determined the quality of the cigarette and its price, the higher was the rate of duty on the indigenous tobacco used. In addition to the duty on Tobacco used in cigarette making, a duty on the manufactured cigarette is also levied on a sliding scale.

5. *The “Intention Tariff”*—The principle that the better varieties of tobacco and the more sophisticated consumer should bear relatively higher incidence of tax was translated into practice by so constructing the tobacco tariff on the imposition of duty as to relate the rate of duty leviable to the purpose for which a consignment of tobacco was intended to be used. Under this criterion, various varieties of tobacco were assessed according to the assessee’s declarations of intended use. The main drawback of this system was that the assessee himself was sometimes unaware of the actual use to which the tobacco may be ultimately applied, and the ultimate use of tobacco cleared at the lower rate for purposes other than the manufacture of snuff or biris had, therefore, to be watched by means of percentage verification of licensees accounts. Since tobacco moved from place to place, and a considerable interval elapsed between its clearance and its ultimate consumption, it was very difficult to ensure that lower rated tobacco was not misused for biris, or to establish properly such misuse. In cases where such misuse came to light, recovery of differential duty was often found to be time-barred. Perhaps the strongest objection to this system was that it placed the assessee in very unenviable position because while, on the one hand, he was required to declare the intended use of the tobacco at the time of its assessment, and thus render himself liable to a demand for differential duty if the tobacco was used for a purpose for which a higher rate of duty was leviable, he had, on the other hand, no control over the dealers or manufacturers to whom he sold the tobacco for consumption. Thus, this method of assessment proved not only unfair and unsatisfactory but it also provided many loopholes for successful evasion of duty.

6. *The “flat rate” of duty*—The Finance Bill of 1951 attempted to introduce a more satisfactory tariff by introducing a flat rate of duty on all types of non flue-cured unmanufactured tobacco at annas 8 per lb. To counter-balance any reduction in revenue and to provide an equitable incidence of tax, manufactured biris were subjected to an additional tax. While in principle this tariff was designed to end for all time the several disputes regarding classification of tobacco for assessment, the administrative machinery then existing was insufficient to control closely the operations

of the biri manufactures for enforcing the levy and collection of the biri duty. Besides this, while biri manufacture is concentrated in well-defined areas it is not restricted only to them; it goes on in varying measure all over the country, and the task of controlling widely scattered small units and one man factories was indeed formidable. The opposition that the bill evoked led to its being referred to a Select Committee of Parliament which, did not recommend this measure. The Finance Act of 1951, therefore, dropped the scheme of a flat rate of duty and reverted to the differential tariff with modifications.

7. *The Capability Tariff*—(a) While basically the construction of un-manufactured tobacco excise tariff with differential rates for different types of tobacco remained the same, the most significant change made was that the basis of classifying tobacco for assessment at a lower or higher rate was no longer to be intention of the assessee, but the capability of tobacco. Briefly, in regard to tobacco other than flue-cured for cigarette, pipe-smoking mixtures etc., the criterion of assessment was to be whether or not a particular specimen of tobacco was capable of use in Biri-manufacturing. If so capable, it was assessable at a higher rate; if not so capable then at a lower rate.

(b) Administrative instructions detailing the actual method of implementation of the change in the tariff under the Finance Act of 1951 are contained in the Ministry of Finance (Revenue Division) Notification No. 23-CX, dated the 14th July, 1951 and the Central Board of Revenue's letter No. 9/16-CX/51 of the 12th July, 1951 which are reproduced in the Questionnaire issued by the Committee. In a nutshell, instead of the rate applicable to a consignment of tobacco being determined on the declaration of the owner under the older system, the rate became determinable by the Collector of Central Excise.

8. *Advantages of the "capability" tariff*—The main advantage of the "capability" criterion is that it seeks to simplify the assessment of various varieties of tobacco, and withdraws both from the assessee as well as from the assessing officer the discretion to determine the rate of duty leviable thereon. Any tax which lacks the element of simplicity and certainty is objectionable and these two defects were predominant in the "intended use" tariff. Under the "capability" tariff the various Collectors of Central Excise have been authorised to notify specified varieties in their jurisdictions which are negligibly used in the manufacture of biris or which are used in biris only on a minor scale in specified areas. The former are to be assessed at the lower rate of duty within the specified areas without restriction and the latter are to be assessed at the lower rate only after effective treatment to make the tobacco unfit for use in biri making. Thus, assessment at the lower rate is confined to varieties which are not known to be used in the manufacture of biris on any appreciable scale and, consequently, the need to watch the subsequent actual use is considerably reduced. Chances of evasion of duty and loss of revenue through negligence or collusion on the part of the assessing staff are also considerably reduced, and the present tariff has gone a long way to reduce chances of evasion of duty resulting from misuse of tobacco, cleared at the lower rate of duty, for manufacture of biris.

9. *Disadvantages of the "capability" tariff*—The main opposition to the present criterion for assessment has been on the ground that it has restricted the movement of tobacco cleared at the lower rate of duty within areas specified by various Collectors or, in any case, to areas comprised within

the limits of the Collectorate. It has also been urged that the manner in which the various Collectors have implemented the scheme left much to be desired; classification of varieties for assessment was defective and discriminatory in so far as the same variety was often classified differently in different contiguous areas. Thirdly, it has also been urged that the relief granted to marginal varieties of tobacco for assessment at lower rate after denaturation was not at all effective in so far as the methods of denaturation insisted upon affected the value and saleability of the tobacco or, where such methods were relaxed, the denaturation was not fully effective in making the tobacco incapable of use in biris, with the result that dishonest licensees misused such tobacco for the manufacture of biris. The trade has not reconciled itself fully to the present criterion for assessment of tobacco and there have been repeated demands for review of the entire position.

10. *Review by the Taxation Enquiry Commission*—The Taxation Enquiry Commission appointed by the Government of India under the Chairmanship of Dr. John Mathai in 1953 enquired into some of the problems mentioned above. Since the terms of reference of that Commission were very wide, it was not possible for it to go into minute details, and it had to confine its investigations to the very broad pattern of various alternatives for construction of the Tobacco tariff.

(a) As to the suggestions made to the Commission for a flat rate of duty with a further duty on the manufactured biris, the Commission felt this would not be practicable as it would *inter alia* "disturb the present balance between biris and cigarettes in regard to excise duty". Without the further duty, a flat rate would have involved an increase in the rate of duty on hookah and chewing varieties of tobacco by about 50 per cent. In view of the fact that the tobacco used in the manufacture of biris is generally of a much higher value, the incidence of tax as compared to value of the tobacco would have been very much more favourable to biri varieties of tobacco than to the hookah and chewing varieties of tobacco. Lastly, the administrative difficulties involved would have been considerable, in so far as innumerable petty operators would have had to be controlled if it was decided to impose any excise duty on manufactured biris.

(b) As regards the intended use criterion, the Commission felt that a tariff classification based on the intended or potential use gave scope for the "exercise of personal discretion" and that "it was in the nature of a self assessment with safeguards by Government to ensure that the declaration made was honoured." They felt that the capability criterion had "greater chance of being applied objectively provided that the initial classification is made scientifically" and that "a procedure is devised for the prompt disposal of the representations made". The Commission, therefore, recommended that an Expert Committee should be appointed to conduct an exhaustive review of the procedure adopted in the working of the present

criterion. A summary of the Commission's relevant recommendations is contained in para 224 of their report, and is reproduced below :—

“224—The present tariff based on capability of use for biri manufacture has greater chance of being applied objectively than the former criterion of “intended use”. The only alternative is a flat rate which is not acceptable on the ground that it would disturb the present position under which the duty as a percentage of value is almost equal for biri and non-biri tobacco. The burden on non-biri tobacco would be increased and that on biri tobacco diminished. A low flat rate with a further duty on biris has also to be ruled out on the ground of administrative difficulty. The present tariff for unmanufactured tobacco should, therefore, continue, but the classification of varieties of tobacco made for the purpose of assessment should be reviewed by an Expert Committee which should include a marketing expert in tobacco and a representative of the trade.”



CHAPTER III

ISSUE OF QUESTIONNAIRE

11. *Formation of the Committee*—Accepting the recommendations of the Taxation Enquiry Commission, the Government of India decided to appoint an Expert Committee. They went a step further in enlarging not only the terms of reference of the Committee, but also the composition of the Committee. While the Taxation Enquiry Commission had suggested a marketing expert and a representative of the trade, the Committee was made more representative by the appointment of officials and non-officials who have experience of practically all branches of the tobacco trade. Similarly, the terms of reference included an investigation of the problems connected with the growing and curing of tobacco in addition to the investigation of problems connected with the working of the capability criterion, for which, principally, the Taxation Enquiry Commission had recommended the setting up of the Expert Committee.

12. *Terms of reference*—The following is the text of the Resolution dated 17th January, 1956, appointing the Expert Committee, and the Press note issued by the Government of India :—

“MINISTRY OF FINANCE (REVENUE DIVISION)

RESOLUTION

New Delhi, the 17th January, 1956

No. 20/8/55-CX—The structure of the Central Excise Tariff on Tobacco was examined by the Taxation Enquiry Commission set up by the Government of India in the year 1953. That Commission recommended that the present differential tariff on unmanufactured tobacco other than flue-cured should continue but an exhaustive review of the procedure adopted in the working of the criterion for assessment should be made by an expert committee who should examine and recommend the improvements required in the present procedure. The Government of India have accepted this recommendation and have accordingly decided to appoint an Expert Committee for this purpose consisting of the following:—

CHAIRMAN

Shri K. Raghuramaiah, M.P., Vice-Chairman, Indian Central Tobacco Committee.

MEMBERS

1. Shri M. Nageswara Rao, Member, Andhra Legislative Assembly, Guntur.
2. Shri C. G. Guruswamy Naidu, Chinna Kumarapalayam, Dhalli P.O., Udumalpet taluk, Coimbatore District.
3. Shri R. A. Patil, President, District Local Board, South Satara, Sangli.
4. Shri Mohammad Ayub, Village Rahua, P.O. Warrisnagar, District Darbhanga.
5. Shri Fulabhai D. Patel, C/o The Gujerat Tobacco Merchants Association, Anand.
6. Dr. M. S. Patel, Secretary, Indian Central Tobacco Committee.
7. Dr. M. B. Ghatge, Agricultural Marketing Adviser, Government of India.
8. To be announced later if an additional member is considered necessary.

Shri R. N. Misra, Collector of Central Excise, Allahabad, will be the Member-Secretary of the Committee.

2. The following will be the terms of reference to the Committee, namely :—

- (1) To review generally the departmental procedures now in force for giving effect to the criterion of capability of use for the manufacture of biris laid down in items 9 I(5) and 9 I(6) of the Central Excise Tariff on Tobacco other than flue-cured, and in particular to ascertain and report :—
 - (i) Whether the executive concessions in the application of this tariff, granted by the Government of India *vide* letter No. 9/16-CX(I)/51, dated the 12th July 1951, addressed by the Central Board of Revenue to Collectors of Central Excise, read with the Government of India, Ministry of Finance (Revenue Division) Notification No. 23-Central Excises, dated the 14th July, 1951 have been fully effective in providing the relief which they were intended to give, or whether their scope has, in actual practice, been curtailed by undue rigidity in operation;
 - (ii) Whether these concessions have been satisfactorily operated or not in different regions of the country, with special reference to—
 - (a) the classifications of tobacco under the various categories laid down in the said letter;
 - (b) “denaturation” (that is to say, treatment of tobacco with foreign ingredients to make it unfit for the manufacture of biris) as a condition precedent to the application of concessional rates of duty;
 - (c) the extent to which normal movements from one market to another have been affected by the administration of the concessions.
- (2) In the light of the observations of the Taxation Enquiry Commission (1953-54) on the subject, to recommend modifications, if any, which are considered necessary in the existing concessions, and in the instructions contained in the letter of the Central Board of Revenue referred to in paragraph 2(1) (i) above, having regard to the legitimate interests of the tobacco trade, the security of the revenue, and smooth administration of the concessions.
- (3) To consider generally the methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment, and to recommend measures for remedying the defects, if any, in the existing methods.
- (4) To make any other recommendations germane to the objective of the investigation.

3. The Committee will submit its report to the Ministry of Finance (Revenue Division) within six months of the date of its appointment.

4. The Committee will function in the Revenue Division of the Ministry of Finance, New Delhi.

B. N. BANERJI,
Joint Secretary.

“PRESS NOTE

TOBACCO EXPERT COMMITTEE

The Government of India have had under consideration for sometime past the question of setting up an Expert Committee as recommended by the Taxation Enquiry Commission, to review certain aspects of the Tobacco Excise Tariff. In pursuance of the recommendation they have appointed an Expert Committee consisting of the following :—

CHAIRMAN

Shri K. Raghuramaiah, M.P. and Vice-chairman, Indian Central Tobacco Committee.

MEMBERS

Shri M. Nageswara Rao, M.L.A., Andhra Legislative Assembly, Guntur;

Shri C. G. Guruswamy Naidu, Dhalli P.O., Coimbatore district;

Shri R. A. Patil, President, District Local Board, South Satara, Sangli;

Shri Mohammad Ayub, P.O. Warrisnagar, Distt. Darbhanga;

Shri Fulabhai D. Patel, representative of the Gujarat Tobacco Merchants' Association Anand;

Dr. M. S. Patel, Secretary, Indian Central Tobacco Committee, Madras; and

Dr. M. B. Ghatge, Agricultural Marketing Adviser, Government of India.

The name of another member may be announced later.

Shri R. N. Misra, Collector of Central Excise, Allahabad, is the Member-Secretary of the Committee.

Broadly speaking, the terms of reference to the Committee are to review generally the departmental procedure now in force for assessment to duty of tobacco on the basis of the criterion of capacity of use for the manufacture of biris laid down in items 91(5) and 91(6) of the Central Excise Tariff on tobacco other than flue-cured and to consider generally the methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment, and to recommend measures for remedying the defects, if any, in the existing methods. The full text of the relevant Resolution is published in the *Government of India Gazette Extraordinary* of January 17, 1956.

The headquarters of the Committee will be at New Delhi and any communications intended for the Committee should be addressed to the Secretary, Expert Committee for Tobacco Excise, Central Board of Revenue Building, Mathura Road, New Delhi.”

13. *Issue of Memorandum inviting general statement of views*—On January 31, 1956, a Memorandum was issued to all leading trade associations inviting their general statement of views on the problems which the Committee had to enquire into. This reads as follows:—

“Accepting the recommendations of the Taxation Enquiry Commission, the Government of India have appointed an Expert Committee on Tobacco to review the departmental procedures now in force for giving effect to the tariff based on capability of unmanufactured tobacco other than flue-cured for use in

biris, with special reference to the concessions authorised by the Government of India in July, 1951, to examine whether the concessions have been satisfactorily operated or not, and to make recommendations for modifications in the existing concessions and procedures. In addition, the Expert Committee has to consider generally methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment and to recommend measures for remedying the defects, if any, in the existing methods, besides making any other recommendations germane to the objective of the investigation.

2. The Expert Committee will issue in course of time a detailed questionnaire to elicit opinion on various aspects of the matters falling within the terms of reference of the Committee. Meanwhile, the Committee would welcome general statements of views on all those matters. Such statements, if any, may kindly be sent as early as possible to the Secretary to the Expert Committee on Tobacco, Ministry of Finance (Revenue Division), Central Revenues Building, Mathura Road, New Delhi."

The purpose of issuing this memorandum was to get some preliminary idea of the several difficulties felt by the trade in different areas so that particular stress could be placed on these processes while issuing the questionnaire. A list of persons who sent their views both in response to the memorandum and otherwise is given at Appendices I and II.

14. *Issue of questionnaire*—(a) The first meeting of the Committee was held on February 24, 1956. The Committee's work was inaugurated by Shri A. C. Guha, Minister for Revenue and Defence Expenditure, who emphasised the important role of tobacco excise in the overall scheme of Central Taxation in India and referred to the large and varied field organisation which was employed for collection of the tobacco duty from assesses numbering over 14 lacs spread over the remotest parts of the country, and the peculiar problems which such an undertaking presented. In tracing the evolution of the tobacco tariff, the Minister referred to the study made of the tobacco excise tariff by the Taxation Enquiry Commission, and explained the background and the reasons why it had become necessary to appoint this Committee. He particularly exhorted the Committee to bear in mind, besides the general technical aspects covered by its terms of reference, the human and psychological aspects of the problems entrusted to it for study. A text of his speech appears at Appendix III. The inaugural function was also attended by Sarvashri A. K. Roy, Chairman, B. N. Banerji and Nargolwala, Members, and W. Saldhana, Secretary, Central Board of Revenue. The Committee, thereafter, finalised the draft Questionnaire. It was decided to issue the Questionnaire to all Members of the Indian Central Tobacco Committee; the Tobacco Export Promotion Council; Collectors of Central Excise; all Tobacco producers, merchants, manufacturers etc. Associations; all Chambers of Commerce; Tobacco Marketing Committees; Co-operative Marketing Societies for Tobacco; Secretaries of the Central and State Farmers' Forums; Ministry of Agriculture; Ministry of Commerce and Industry; Chief Secretary of each State Government; Directors of Agriculture of Tobacco producing States; State Marketing Officers; and any other persons suggested by members of the Committee.

(b) It was decided that a translation of the questionnaire in Hindi should also be sent. In addition translations in Bengali, Gujarati, Marathi, Tamil and Telugu were also prepared for supply to addressees in areas where

these regional languages predominated. The names of addressees to whom the questionnaire was issued is at Appendix IV. This list also includes persons who asked for copies of questionnaire in response to the publicity given to the issue of the questionnaire in most of the important newspapers.

15. In addition to the main questionnaire, the Committee decided to issue a supplementary questionnaire to all Collectors of Central Excise for eliciting their views and comments on certain aspects of the administration of the tobacco excise.

16. In view of the short time at the disposal of the Committee, it was decided that the last date for replies to the Questionnaire should be fixed as 30th April, 1956. Certain unforeseen delays beyond the control of the Committee took place in supplying copies of the regional language translations in good time, and on receipt of certain representations it was decided to extend the time for receipt of replies to May 15, 1956. Since individual intimation of this extension was not possible, publicity was given to this through the Press. In addition, persons who had requested for extension of time were also informed individually.

17. The text of the questionnaire and the Supplementary questionnaire along with their covering letters is reproduced at pages 20 to 41.

18. On the eve of the Committee's second meeting on June 29 and 30, it was requested by the Central Board of Revenue to examine generally the question of losses in warehouses and to advise the Government on this point. Since certain parties had already referred to this problem in reply to Q. No. 51 of the main Questionnaire, as also in their replies to the Committee's Memorandum of the 31st. January, 1956, the Committee did not feel it necessary to issue any supplementary questionnaire to trade associations, but decided to question the witnesses during the Committee's tours. Copies of the references made to the Committee are reproduced at pages 42 to 46.

19. The Committee examined the replies received from the addressees to the main and supplementary questionnaires and decided to interview those persons who wished to be heard in person. Since it was not possible to visit all the places where such addressees resided, convenient centres were selected. A list of the places at which evidence was recorded, and of the persons examined at each is given in Appendix V.

In all 96 persons whose names appear at Appendix VI replied to the Questionnaire. Their replies showed considerable differences of opinion on major problems. Some of the views expressed were vague or not fully supported. During the oral enquiry, the Committee endeavoured to clarify all such points of doubt, and to secure amplification of the views expressed.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE (REVENUE DIVISION)
TOBACCO EXPERT COMMITTEE

No. ECT-15/56/
To

New Delhi, the 28th March, 1956.

M/s _____

Dear Sirs,

The structure of the Central Excise tariff on tobacco was examined by the Taxation Enquiry Commission in 1953-54. The Commission recommended that the present differential tariff on unmanufactured tobacco other than flue-cured should continue, but an exhaustive review of the procedure adopted in the working of the criterion for assessment should be made by an Expert Committee. The Government of India have accepted this recommendation and have appointed an Expert Committee.

2. The composition and terms of reference of the Expert Committee are contained in the Ministry of Finance (Revenue Division) Resolution No. 20/8/55-CX, dated the 17th January, 1956. Broadly speaking, the terms of reference of the Committee are to review generally the departmental procedures now in force for assessment of duty on tobacco on the basis of its capability of use or otherwise for the manufacture of biris laid down in Items 9 I(5) and 9 I(6) of the Central Excise tariff on tobacco other than flue-cured, read with the notified and executive concessions authorised by the Central Board of Revenue and to consider generally the methods adopted for estimating the produce of tobacco growers for purposes of accounting and assessment, and to recommend measures for remedying the defects, if any, in the existing methods. The Committee is also to examine and report on other matters germane to this investigation.

3. Towards this objective, the Expert Committee has prepared a questionnaire of which I am directed to forward herewith a copy. The questionnaire is divided into six parts. The first part is devoted to collection of general data which is relevant to the study. Parts II to V follow generally the terms of reference of the Committee. Part VI relates to other taxes and material germane to the objective of the enquiry.

4. It is possible that in view of the length of the questionnaire and the variety of matter it covers, everyone may not have material for, or like to reply to the questionnaire as a whole. The different parts of the questionnaire are so framed as to be capable of being dealt with separately.

5. The date for receipt of reply to this questionnaire, as a whole, is 30th April, 1956. Replies in respect of individual parts may be sent as they are ready.

6. It would be appreciated if you could furnish at least 8 copies of your replies to the questionnaire to facilitate their early study by the Expert Committee. It will be convenient also if replies to each part of the questionnaire begin on separate pages of your reply.

7. The replies and correspondence relating to the questionnaire and the work of the Expert Committee may please be addressed to the Secretary, Tobacco Expert Committee, Central Revenues Building, Mathura Road, New Delhi.

Yours faithfully
(Sd.) R. N. MISRA,
Secretary.

QUESTIONNAIRE

PART I

1. Please state your name and full postal address.
2. To which area do your replies relate?
3. (a) Are you a

(i) Grower, (ii) Curer, (iii) Broker or Commission Agent, (iv) Dealer,	}	of unmanufactured tobacco.
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- or
- (b) A representative of operators in the Tobacco industry and, if so, of which class or classes of such operators?
- (c) Do you desire to give oral evidence before the Expert Committee?
4. Which of the two botanical types of tobacco,
 - (i) *Nicotiana Tabacum*,
 - (ii) *Nicotiana Rustica*,
 are produced in your area? If both are produced, what is the estimated proportion of each to the total output?
5. Please state the local names of each variety and the Districts or Sub-divisions or Talukas in which each is grown.
6. If production of early and late crops within the same year is of different varieties, what are the local names of the varieties?
7. Please state the method of harvesting of each variety in your area.
8. What are the physical forms and characteristics of each variety produced in the cured state, *e.g.*, whole plant or whole leaf in hanks or twists, broken leaf forms, with or without stalk, stem etc.
9. Is the tobacco cured in your area graded in any way? If so,
 - (i) Please state whether such grading is done for making the tobacco fit for any special use.
 - (ii) Please state the specifications of each grade of each variety.
10. (a) What proportion of tobacco produced in your area is air cured :—
 - (i) In whole leaf form.
 - (ii) In broken leaf grades.
- (b) What proportion of the cured tobacco produced in your area is wet cured, *i.e.*, cured by addition of water during the curing process.
11. What proportion of the crop is left over after tobacco grown in your area has been sorted out for the purpose to which it is to be put?
12. Is there any scrap tobacco left with grower-curers? If so, what proportion is it of saleable produce and how is such scrap actually disposed of?
13. What varieties, and the proportion of the total production of each variety in your area, are consumed locally in your area :
 - (a) in the raw form,
 - (b) after manufacture into tobacco products.

14. (a) Which of the following tobacco products are manufactured in your area?

- (i) Biris,
- (ii) Cigars and Cheroots,
- (iii) Snuff,
- (iv) Chewing tobacco,
- (v) Smoking mixtures for Hooka, Chillum, Chongi, Chutta.

(b) Please name tobacco products, other than these, made in your area.

(c) Which of the varieties grown in your area are used for making each of these products and what proportion is the quantity so used of the total produce?

(d) At what rate is each such variety now assessed to duty?

15. For each variety grown in your area please state the average cost of cultivation:—

(a) per acre of area grown,

(b) per Indian standard maund of cured tobacco produced.

16. (a) What are the existing maximum and minimum wholesale prices per standard Maund (exclusive of Central Excise duty and other cess or taxes) for each variety produced in your area:—

(i) On sale from grower or curer's premises.

(ii) On sale to manufacturers of tobacco products or other stockists.

(iii) On retail sales by stockists.

(iv) On sales for export out of India.

(b) what has been the general trend of each of these price levels in successive years since 1948?

PART II

17. (a) Please name the varieties grown in your area which are delivered in bond for consumption outside your area:—

(i) In India,

(ii) Outside India.

(b) How is each variety falling under part sub-paragraph (a) (i) of this question actually used in the area to which it is sent?

(c) at what rates is each such variety ultimately assessed to duty?

(d) For which of the varieties under sub-paragraph (c) of this question has the classification for assessment of duty been changed after 1951 and in what way?

18. (a) Please name the varieties grown outside your area and received in bond for use in your area.

(b) How is each such variety actually used in your area?

(c) At what rate is each such variety now assessed to duty?

(d) For which of the varieties under sub-paragraph (c) of this question has the classification for assessment of duty been changed after 1951 and in what way?

19. (a) Do you agree that biris can be made from almost any variety of tobacco reduced to the form of flakes by sifting, grading, etc.

(b) If not, what in your opinion are the basic criteria which must be satisfied for any particular variety of tobacco to be classed as capable of use in biri making?

20. (a) To what extent is the capability of particular varieties of tobacco for biri making affected by prolonged storage?

(b) How can the extent of such effect be ascertained?

21. What are the conditions which would make a particular variety or grade of a variety incapable of use in biri making.

22. (a) Are certain types of tobacco which are allowed clearance at the lower rate in an unprocessed state or in whole leaf form subsequently processed and graded into biri flakes and used in the manufacture of biris in your area?

(b) If so, what measures do you suggest to stop this misuse?

23. (a) Are you, having regard to the existing tariff on tobacco, satisfied with the general scheme of concessions under the M.F. (R.D.) Notification No. 23 CE dated 14-7-51 and C.B.R. letter No. 9/16-CX(I)/51 dated 12-7-51 (copies appended to this questionnaire)?

(b) If not, please state why?

(c) What alternative scheme of concessions would you suggest and why?

24. (a) Are you, having regard to the provisions of the existing tariff on tobacco, and the concessions allowed by Notification No. 23 CE dated 14-7-51, and the C.B.R.'s letter dated 12-7-51, satisfied that the scheme of the concessions is being fully and properly implemented in different Central Excise Collectorates under their respective existing orders for assessment of:—

(i) Varieties produced in your area.

(ii) Varieties produced in other areas but received for use in your area?

(b) If the answer to either (i) or (ii) or both is in negative, please give reasons why you think the concession is not being implemented for any variety.

25. How would you like the existing classification of any specified varieties changed, and for what reasons?

26. What measures do you suggest for resolving differences between the Collector of Central Excise and the assesseees regarding classification of a variety for assessment?

PART III

27. What do you think of the scheme of denaturation of marginal types of tobacco for ensuring that such types do not find their way into biri manufacture after paying duty at the lower rate?

28. Which of the varieties:

(a) produced in your area,

(b) produced elsewhere and used in your area, are now allowed lower assessment after denaturation?

29. (a) What are the prescribed methods of denaturation?

(b) Are these methods effective for rendering the tobacco treated incapable of use in biris?

30. (a) Is the facility of claiming lower rate of assessment after denaturation commonly availed of in your area?

(b) If the answer to the foregoing is in the negative, please state reasons why?

31. How does denaturation affect the price and saleability of the tobacco so treated?

32. What changes would you suggest in the procedures now prescribed for denaturation, and why?

PART IV

33. In what way has the trade in tobacco produced in your area been affected after 1951?

34. What was the effect of tariff changes in 1951 on the price structure of different varieties of tobacco—

(a) grown in your area, and

(b) grown elsewhere and used in your area?

35. (a) Please name the varieties of tobacco grown in your area for which market demands have:

(i) increased,

(ii) decreased after 1951.

(b) What, in your opinion, are the main causes of such increase or decrease?

36. (a) Please name the markets, internal and external, which used to take your produce up to 1951 but where demand for any specific varieties has completely dried out or declined substantially, and the reasons for such changes.

(b) What is your estimate of the quantity of tobacco of each such variety which has, since 1951, lost its earlier markets?

(c) How is the need for such varieties of tobacco now met in these markets? Are the same varieties now being grown in the areas which used to consume your tobacco? If not which varieties from which areas have replaced your tobacco in these markets?

(d) Are these substitutes adequate for maintaining the quality of tobacco products and meeting the consumers' requirements which used to be met out of the produce of your area up to 1951? If not, why not?

37. Do you think that the tariff changes in 1951 and the concessions announced in July 1951 are the principal causes of your tobacco losing its markets? If so, how?

38. What measures would you recommend so that the decline, if any, in demand of specified varieties of tobacco grown in your area may be increased?

PART V

39. Please state for each variety produced in your area the earliest stage after harvest at which the curer and the buyers regard the variety as fully cured and ready for marketing or manufacture.

40. (a) Does the local excise procedure and practice also recognise this stage as the stage when tobacco has been cured?

(b) If not, what is the difference between the trade and excise practice?

41. How does a tobacco curer form an estimate of the expected yield when declaring to the Centre Excise staff particulars of the area to be planted?

42. In cases where natural occurrences affect the yield of standing crops, what methods do you suggest for estimating the extent of reduction of yield from original estimates?

43. (a) A tobacco curer has to declare to the excise officer the quantity of tobacco cured. How do curers ascertain the quantity?

(b) If this is done generally by actual weighment, is the entire produce weighed or only a part of it?

(c) At what stage after curing is the yield weighed or otherwise computed?

44. (a) Do growers in your area generally harvest and cure the ratoon crop of tobacco?

(b) What has been the effect of the imposition of excise duty on the practice of collection of ratoon crop?

(c) Has the extent of collecting ratoon crop been appreciably affected after the tariff changes in 1951? If so, in what way?

45. Is the ratoon crop marketed separately from the main crop or is the yield of both main and ratoon crops bulked together?

46. (a) Is the curers' declaration of quantity cured normally accepted by the excise officer?

(b) If the answer to the foregoing is in the negative, how is a difference of opinion, as to the quantity cured, ordinarily resolved?

(c) What methods do you suggest for ensuring more accurate declarations of tobacco cured?

47. Are you satisfied with the existing procedure for curers' rendering a final account of their produce to the excise officer? If not, what changes would you suggest and why?

48. What is the average quantity allowed to be retained free of duty for personal consumption of the producer and his family? Does this provide enough for the average producers' domestic needs? If not, what changes do you suggest?

49. (a) Are you satisfied that the curer gets adequate time for disposal of his produce after it is made ready and before he is required under Excise Rules to place it in his bonded store room?

(b) Is the prescribed limit for which a curer may retain tobacco in his own Bonded Store-room adequate? If not, what changes do you suggest and for what reason?

(c) If the answer to (a) or (b) or both is in the negative, please state reasons why?

(d) What changes of excise procedure in this behalf would you recommend and why?

PART VI

50. What other rates, taxes etc., are levied on unmanufactured tobacco, besides C.E. Duty on—

(a) 'Produce of your area,

(b) Tobacco produced in other areas but used for consumption in your area,

(c) Tobacco products made in your area?

51. Have you any other suggestions germane to the object of this enquiry?

COPY OF EXPRESS LETTER F. 9/16-CXI/51, DATED THE 12TH JULY, 1951, FROM THE SECRETARY, CENTRAL BOARD OF REVENUE OF ALL COLLECTORS OF CENTRAL EXCISE, THE DEPUTY COLLECTOR OF CENTRAL EXCISE, BARODA, THE DEPUTY COLLECTOR IN-CHARGE, CENTRAL EXCISE, PATNA, DINAPORE CANTT.

SUBJECTS—*Unmanufactured tobacco, flue-cured and non-flue-cured used for purposes other than the manufacture of (1) cigarettes (2) smoking mixtures for pipes and cigarettes but capable of use for the manufacture of biris—assessment of.*

In the light of the actual experience gained in the operation of the new Central Excise Tariff, as introduced by the Finance Act, 1951, on unmanufactured tobacco, flue-cured and other than flue-cured, assessable under sub-items (3), (5) and (6) of Item 9(1) of the Tariff schedule, the Board has decided that the procedure prescribed for the assessment of such tobacco* should be modified as follows :

2. *Legal Position*—It should be made perfectly clear to the staff as well as to the trade, whenever it may be necessary to do so, that the strict legal position in respect of all varieties of flue-cured tobacco, not used in the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes, is that they must invariably be charged to duty at Re. 1-0-0 per lb. under Item 9(1)(3) of the Tariff Schedule, except where they are entitled to assessment at Re. 0-14-0 per lb. under the Ministry of Finance (Revenue Division) Notifications No. 12-C Excise, dated the 7th April, 1951 and No. 17-C Excise, dated the 28th April, 1951. Similarly, no person desiring to clear any variety of tobacco which is not flue-cured, and is not ordinarily used for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes, but is capable of being used for the manufacture of biris, is entitled, in any circumstances, to claim assessment at Re. 0-6-0 per lb. under Item 9(1)(6) of the Tariff Schedule, as a matter of right, however limited may be the scale of the actual consumption of the tobacco in the manufacture of biris in the area of assessment, or in any other part of the country to which the tobacco may be consigned.

* (1) General Order No. 1 (Central Excise) of 1951.

(2) Board's letter F. No. 15/4CX (I)/51 dated the 26th April 1951.

(3) Board's letter F. No. 9/16CX (I)/51 dated the 11th June, 1951.

3. *Varieties of tobacco only theoretically capable of use for the manufacture of biris*—(i) In actual practice, however, assessment of unmanufactured tobacco, other than flue-cured, which is not cleared for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes, should not be made at Re. -/14/- per lb. under item 91(5) of the Tariff Schedule, solely on the basis of mere theoretical capability of use for the manufacture of biris. Where, as in the case of hookah twists, there is no *established use*, even on a negligible scale, for the production of biris, in any part of the country, assessment should be made under Item 91(6) of the Tariff; stray uses for biri manufacture should be ignored.

(ii) Lists of such varieties should be prepared and circulated to the staff, and copies sent to the Board, the Directorate of Customs and Central Excises, and the Statistics and Intelligence Branch.

4. *Varieties of tobacco not used, or only negligibly used, for the manufacture of biris in specified areas*—(i) In certain areas where particular varieties of tobacco, flue-cured or other than flue-cured, are not used at all, or are used only to a negligible extent, in the manufacture of biris, they should be assessed at Re. -/6/- per lb. under the terms of the Government of India, Ministry of Finance (Revenue Division) Notification No. 23-C. Excise, dated the 14th July, 1951, a copy of which is enclosed.

(ii) The notification requires the Collector to specify (a) the areas and (b) the varieties in a subsidiary notification. A draft of such a notification is attached; the varieties should be described by their local names in the notification.

(iii) The Collector's notification should be published in the local official gazette, and copies should be sent to the Board, the Directorate of Inspection, Customs and Central Excises, and the Statistics and Intelligence Branch.

(iv) varieties falling under paragraph 3 above are not required to be included in the Collector's notification, since such varieties are to be treated for all practical purposes as incapable of use for the manufacture of biris anywhere in the country.

(v) All those varieties which are retailed to consumers in a whole leaf form in the notified area would be *ipso-facto* entitled to the exemption.

(vi) For a variety to be entitled to be classified as "utilised only to a negligible extent for the manufacture of biris" for purposes of the exemption, such use should not exceed 5% of its consumption within the notified area.

(vii) Denaturation or any other conditions should not ordinarily be imposed as a condition for the grant of this exemption.

(viii) The limits of the notified area should be accurately defined, and the extent of each such area should be determined with reference to the objective of the exemption; it should neither be too wide nor too narrow, and should ordinarily cover an entire circle or circles.

(ix) Varieties included in the Collector's notification should be permitted to move freely under Forms A.R.3 and T.P.2 inside or outside the notified area (provisional) assessment being indicated on the documents at the highest chargeable rate.

(x) It should be noted that export of the varieties entitled to the exemption outside the notified area has not been prohibited. The attention of all officers should be particularly drawn to provision (ii) and (iii) of the Government of India, Ministry of Finance (Revenue Division) Notification No. 23-Central Excise dated the 14th July, 1951.

(xi) Action for recovery of the differential duty under proviso (iii) of the Government Notification should be taken prior to the issue of the transport permit in Form T.P.1 or, where a sale note has been issued, before or after issue of the same note, as may be necessary in any particular case.

(xii) The Collector has full discretion to notify at any time, additions to, or deletions from, the list of varieties appended to his subsidiary notification; such amendments to the notification should, as far as possible, not be made oftener than once in six months. The position should be kept under constant watch by the Executive, Preventive and Intelligence Branches of the department, so as to detect any abuses of the exemption, and also to ascertain whether any additional varieties qualify for inclusion in the exempted list. No additions should ordinarily become necessary if the original list is drawn up with sufficient care.

5. *Varieties of tobacco used on a minor, but not negligible scale for the manufacture of biris*—(i) In certain areas where particular varieties of tobacco, flue-cured or other than flue-cured are used only on a minor, but not negligible, scale for the manufacture of biris, they may be permitted to be cleared at annas 6 per lb. provided that they are effectively treated with foreign ingredients in such a manner as to render them unfit for the manufacture of biris.

(ii) The limits of the areas within which this concession is to be allowed to the specified varieties of tobacco should be clearly defined, and should be sufficiently wide to cover the particular type of consumption (e.g., for “zarda” manufacture) in contiguous regions, and should not, in any case, be smaller than a revenue district.

(iii) Lists of such areas and varieties should be prepared and circulated to the staff, and copies sent to the Board, the Directorate of Customs and Central Excise, and the Statistics and Intelligence Branch.

(iv) No variety should be regarded as qualifying for this concession, unless the extent of its use, within the specified area, for biri manufacture, does not exceed 25% of its total consumption in the area.

(v) Superior “biri” varieties, e.g., some of those produced in Gujarat, Baroda and Nipani should not be admitted to this concession.

(vi) The Collectors have full discretion to determine the kind of treatment to which a particular variety to be admitted to this concession should be subjected in order to qualify for the concession. In selecting the formula for treatment of the tobacco, a substantial part, or the whole, of a normal trade process of manufacture of the tobacco into chewing or hookah tobacco, should ordinarily be prescribed, unless it is not effective enough for the purpose in view. If the technical objection that manufacturing operations are not permissible in bond (under Rule 143) is insuperable, the treatment may be carried out immediately after clearance.

(vii) The process of denaturation while in progress should be supervised by the Range Officer, and checked during inspections, by Supervising Officers, where necessary, the cost of supervision may be recovered from the licensee concerned. Samples should also be occasionally drawn by Supervising Officers before and after clearance, and tested to ascertain whether the tobacco has been effectively treated.

(viii) Any form of treatment may be regarded as effective for the purpose in view, if it makes the tobacco incapable of use for biri manufacture by other than the pettiest of manufacturers, except by an uneconomic process of neutralisation of the original treatment for denaturation.

6. "*Chillims*", "*chutas*" and "*Choonghie*"—For purposes of these instructions, "*chillims*", "*chutas*" and "*choonghies*" should not be regarded as biris.

7. *Description in Warehouse Registers etc.*—The name by which a particular variety of tobacco is locally known should be invariably entered in—

- (1) Warehouse Registers.
- (2) Clearance applications in Form A.R.1.
- (3) Entry Books in Form E.B.3.
- (4) Transport permits in Form T.P.1.
- (5) Sale-notes.

Entries of the names in (1) and (3) must be checked and initialled by the Range Officer, and should be test-checked, during inspection, by Supervising Officers.

8. *Immediate effect* should be given to these instructions, and no departure therefrom should be attempted during the next six months, except with the prior approval of the Board which will only be given if a serious risk to the revenue, or hardship to the trade, is involved.

9. *Report to the Board*—A report on the working of the above procedure should be submitted to Board in January, 1952.

(Sd.) D. P. ANAND

Under Secretary, Central Board of Revenue

COPY WITH A COPY OF THE ENCLOSURES FORWARDED TO:—

1. The Director of Inspection, Customs and Central Excise.
2. The Deputy Collector-in-charge, Statistics and Intelligence (Central Excise).

सत्यमेव जयते

By order,

(Sd.) W. SALDHANA

Under Secretary, Central Board of Revenue

"DRAFT NOTIFICATION"

In exercise of the powers conferred by the Government of India, Ministry of Finance (Revenue Division) Notification No. _____ dated _____, I hereby notify the varieties of unmanufactured tobacco specified in column 1, of the subjoined table as varieties which are not in fact utilised, or are utilised only to a negligible extent, within the limits of the areas specified in column 2 thereof, for the manufacture of biris.

<i>Varities</i>	<i>Areas</i>
1	2

Collector of Central Excise

GOVERNMENT OF INDIA
MINISTRY OF FINANCE. (REVENUE DIVISION)

NOTIFICATION
Central Excises

No. F. 9/16-CXI/51

New Delhi, the 14th July, 1951.

No. 23—In exercise of the powers conferred by Rule 8(1) of the Central Excise Rules, 1944, the Central Government hereby exempts from so much of the duty leviable thereon as is in excess of annas six per lb., varieties of unmanufactured tobacco, whether flue-cured or other than flue-cured, which are capable of being used for the manufacture of biris, but are proved to the satisfaction of, and are notified by the Collector as varieties which are not in fact utilised, or are utilised only to a negligible extent, within the limits of an area specified by him in the notification, for the manufacture of biris.

Provided that :

- (i) such varieties are not utilised in such area for the manufacture of (a) cigarettes or (b) smoking mixtures for pipes and cigarettes,
- (ii) if any such variety is consigned from the premises of assessment to any premises situated outside such area, it shall not be entitled to the said exemption,
- (iii) if any variety so exempted is at any subsequent time exported outside such area, the exemption hereby granted shall be deemed to be withdrawn, and the whole-sale dealer so exporting it, shall, prior to such export, pay in respect of the quantity exported, an amount equivalent to the amount of duty from which such quantity was originally exempted.

(Sd.) D. P. ANAND

Deputy Secretary, to the Govt. of India

COPY FORWARDED TO:—

All Collectors of Central Excise.

GOVERNMENT OF INDIA
MINISTRY OF FINANCE (REVENUE DIVISION)

TOBACCO EXPERT COMMITTEE

No. ECT-15/56

New Delhi, the 28th March, 1956.

To

The Collector of Central Excise

Sir,

The enclosed questionnaire has been distributed directly by the Tobacco Expert Committee's Secretariat to addressees listed in the annexure. I am directed to enclose herewith 25 spare copies of it. These may be distributed at your discretion to any other trade associations in your area whose names may not be included in the Committee's list, and to any individuals

who may, in your opinion, be in a position to contribute answers to the questionnaire. Particulars of addressees to whom you distribute these copies may kindly be furnished to the Committee in due course. If you need more spare copies, these will be supplied on hearing from you.

2. Your own replies to this Questionnaire (8 copies) may kindly be furnished by 30-4-56.

3. I am directed also to forward herewith 6 copies of a Supplementary Questionnaire. This is restricted in its circulation to Collectors of Central Excise. I am to request your replies to this Supplementary Questionnaire also. 8 copies of your replies to this may kindly be sent by 30-4-56.

Yours faithfully,

Secretary

SUPPLEMENTARY QUESTIONNAIRE TO COLLECTORS OF CENTRAL EXCISE

1. (a) Under Board's letter No. 9/16-CXI/51, dated 12th July, 1951, classification of varieties only theoretically capable of use in biris was to be made on the basis of the percentage of their actual use for biris. What methods were adopted for calculating such percentages?

(b) Are, in your opinion, any better methods available for ascertaining the extent of use of specified varieties in biri making?

(c) Do you consider, having regard to prevalent usages, that 5 per cent. and 25 per cent. are appropriate critical limits, consumption above which should be treated as for minor and predominant biri use?

2. Please state how you have secured the requisite liaison with Collectors of contiguous areas regarding inter Collectorate movements of lower rated tobacco.

3. Please state how assessment is regulated of varieties assessable at the lower rate in your Collectorate when moving to another Collectorate where it is similarly classified for assessment, but it travels over an intervening territory where it is not allowed lower rated assessment?

4. Have you itinerant vendors or hawkers in the border areas of your Collectorate who sell tobacco in other Collectorates in periodical markets or to consumers direct? If so, how are their operations supervised to ensure compliance with the scheme of July, 1951 concession?

5. (a) What methods were followed in determining the formulae for denaturation of marginal varieties in your Collectorate?

(b) Were these formulae prescribed in consultation with the trade?

(c) Have any trade representations been received in criticism of the formulae? If so, please state the nature of criticism.

(d) What, in your opinion, is the reason for the general antipathy of trade for availing of the facility of lower rated assessment after denaturation.

6. Varieties of tobacco in the list appended to this Questionnaire are classed as capable of use in biris on a major/minor scale in your Collectorate. As these varieties are declared not capable of use in biris or capable of use on a negligible/minor scale in some other major biri producing areas, what special reasons led to their present classification in your Collectorate? Has the trade represented against this classification, and if so, how has their criticism been met? Have you any suggestion to make in this respect?

7. The table appended to this Questionnaire shows the comparative figures of clearances in your Collectorate of lower rated and higher rated tobacco other than flue-cured in each of 3 years preceding and succeeding the introduction of capability tariff. What, in your opinion, are the reasons for the increase in the clearances of higher rated tobacco and the decrease in clearances of the lower rated tobacco.

8. Is the use of sale notes freely allowed to, and availed of by dealers in your Collectorate? If so, does it cause any special problems in administering the Collectorate orders for lower rated assessment of marginal varieties.

9. Is the present practice of allowing wholesale dealers to stock both lower and higher rated varieties in the same premises satisfactory from the revenue point of view.

10. (a) Is the present method of control over wholesale dealers and manufacturers sufficient to ensure that misuse of lower rated tobacco in biri making, and consequential loss of revenue, can be detected and prevented?

(b) Please state what changes will in your opinion give greater revenue security?

11. (a) Is it your experience that grower-curers declare their returns of cured produce correctly?

(b) If not, are the declarations generally over estimated or under-estimated?

(c) Whether cases of under or over estimation by Range Officers have come to your notice? What is the incidence of such incorrect estimation?

(d) How are disputes regarding the declarations of quantity cured ordinarily resolved?

12. (a) Do you consider the present methods of checking of declaration of growers and curers adequate for ensuring that all tobacco grown and cured is fully accounted for?

(b) If the answer to the foregoing question is in the negative, please state what, in your opinion, should be the correct method of checking to be followed in this respect, to ensure accurate estimates?

13. Will your suggestions under question 12(b) require additions to your personnel and equipment? If so, please state the additional cost it would involve to the administration?

*14. Provisions of Rule 60A and Notifications issued thereunder have been in operation over certain districts of West U.P. and Rajasthan. Has this procedure resulted in:—

(a) A more complete and timely registration of area under cultivation, and

(b) A more accurate estimate of cured produce?

*15. If the answer to the foregoing is in the negative, please give reasons for it?

*For Collectors of Central Excise, Allahabad and Delhi only.



Statement showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Baroda Collectorate				In Other Collectorates							
Variety	Description	Classification	Limitation	Delhi	Nagpur	Patna	Calcutta	Allahabad	Bombay	Hyderabad	Remarks
1	—	2	4	5	6	7	8	9	10	11	12
Akho Zarda	Processed or Unprocessed.	Major	Whole Collectorate.	Minor use in Rajasthan.	..	..	..	..	..	..	Note:—The limitation specified in Col. 4 does not apply in the Collectorates mentioned in Cols. 5 to 11.
Akho Shukho		..	Do.	Minor	Minor use	Major	Major	..	..	..	
Lal Bhuko		..	Minor	Do.	Negligible in whole Collectorate except 8 Districts.	..	..	..	..	..	
Ratoon	Processed	Do.	Do.	Negligible	..	..	..	Negligible	..	..	
Ratoon	Unprocessed.	Minor	Do.	..	Negligible	..	..	..	..	..	
Rava	..	Negligible	If it is a bonafide bye-product of processing.	Negligible	Negligible	..	..	..	..	..	
Stems	Unrushed of all varieties except black and red Tob.	Minor	Whole Collectorate	Negligible	Negligible	..	..	Negligible	..	Negligible.	
V. F. C. Scrap tobacco.	Unprocessed.	Major	Do.	Do.	Do.	..	..	Minor in 13 distts. and negligible in the rest.	Negligible in 15 Circles.	..	
Do.	Processed	Major	Do.	Minor	Minor	..	..	..	Minor in 1 range and negligible in 15 Circles.	..	
Gadia	Unprocessed.	Negligible	Do.	..	..	..	..	..	Minor in all but 3 Circles.	..	
lack Chonadia	Unprocessed.	Do.	Do.	..	..	..	..	..	Negligible in only a few Circles.	..	
lack Chanchua		Do.	Do.	..	..	..	..	..	..	..	
lack Chonadia		Do.	Do.	Do.	Minor	Minor	..	..	..	Minor in few Circles.	
lack Patia	Processed	Do.	Do.	..	..	..	..	..	..	..	

Statement showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Bombay			In Other Collectorates							
Variety	Description	Classification	Limitation	Delhi	Allahabad	Nagpur	Hyderabad	Patna	Baroda	Remarks
1	2	3	4	5	6	7	8	9	10	11
Rava ..	1/16"	Negligible	If bonafide by-product of processing.	Negligible*	Negligible*	Negligible*	..	..	..	*Unconditionally.
Stems ..	Uncrushed	Major use	Whole Collectorate except 24 Circles only.	Do.	Do.	Do.	Negligible	..	..	
Stems ..	Processed	Negligible	17 Circles only	..	Major	Minor	..	Minor	Major	
Ratoon of biri varieties.	Processed	Major	Except 7 Circles	Minor	..	Do.	..	..	..	
Ratoon of biri varieties.	Unprocessed	Major	Except 6 Circles	..	..	Negligible except 10 Distts.	..	..	Minor	..
V.F.C. Scrap ..	Unprocessed	Negligible	In 15 circles only except one range.	Negligible	Minor in 13 Distts. and negligible in the rest.	Negligible	..	Major	Major	
V.F.C. Scrap ..	Processed	Negligible	Do.	Minor	Major	Minor	..	Major	Major	
Gadia ..	Unprocessed	Negligible	In one range. In Sholapur, Poona and Jalgaon Circles.	..	..	..	..	..	Negligible	
Black Patla Red Chopadia Chanchua Black Chopadia Do.	Unprocessed	Minor	In whole Collectorate except Sholapur, Poona and Jalgaon.	..	..	..	..	..	..	Negligible in whole Collectorate.
	Unprocessed	Negligible	In only a few Circles	..	..	..	..	..	..	
	Processed	Minor	Do.	..	..	..	..	..	..	

Statement showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Nagpur Collectorate				In Other Collectorates				
Variety	Description	Classification	Limitation	Baroda	Patna	Bombay	Allahabad	Remarks
1	2	3	4	5	6	7	8	9
Ratoon of <i>biri</i> variety.	Processed	Minor	Whole Collee- torate.	Major	Major	Major except 7 Cir- cles.	Major except 3 towns and one District.	
Ratoon of <i>biri</i> variety.	Unprocessed	Minor	In 8 Distts. only	Minor	Major	Major except 6 Cir- cles.	Do.	
V. F. C. Scrap tobacco.	Unprocessed	Negligible	Whole Collee- torate.	Major	Major	..	Minor in 13 Distts. and negligible in the rest.	
V.F.C. Scrap tobacco	Processed	Minor	Do.	Major	..	..	Major	
Red Chopadia ..	Do.	Minor	Do.	Negligible	..	..	..	
Stems of <i>biri</i> tobacco	Crushed	Minor	Do.	Major	..	..	Major	
Stems of <i>biri</i> tobacco	Uncrushed	Negligible	Do.	Minor	..	Major in 13 Circles	..	

Statement showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Delhi Collectorate				In Other Collectorates					
Variety	Description	Classification	Limitation	Baroda	Patna	Bombay	Allahabad	Nagpur	Remarks
1	2	3	4	5	6	7	8	9	10
Ratoon of <i>biri</i> variety.	Processed	Minor	Whole Collectorate rate.	Major	Major	Major except Circles.	Major except 3 towns and 1 district.	..	
Ratoon of <i>biri</i> variety.	Unprocessed	Negligible	Do.	Minor	Major	Major except Circles.	Do.	..	
Raval	Processed	Minor	Do.	Major	Major	Major	Major	Major	(It is presumed that this variety is flake tob. and not Rava).
V. F. C. Scrap tobacco.	Unprocessed	Negligible	Do.	Major	..	..	Minor in 13 districts and negligible in the rest	..	
V.F.C. Scrap tobacco.	Processed	Negligible	In 2 Divisions	Major	..	..	Major	..	
Black, Chopadia and Red Chopadia	Processed	Minor	Whole Collectorate rate.	Negligible	..	..	..	..	
		Minor	Do.						

Statement showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Patna Collectorate					In Other Collectorates					
Variety	Description	Classification	Limitation	Delhi	Nagpur	Bombay	Baroda	Allahabad	Hyderabad	Remarks
1	2	3	4	5	6	7	8	9	10	11
Rava ..	..	Minor	Whole Collectorate	Negligible	Negligible	Negligible	Negligible	Negligible	..	
Stems of biri tobacco.	Crushed	Minor	Do.	Major	..	..	Major	Major	..	
Stems of biri tobacco.	Uncrushed	Minor	Do.	Negligible	Negligible	..	..	Negligible	Negligible	
Ratoon of biri varieties.	Processed	Major	Do.	Minor	Minor	..	..	..	..	
Ratoon of biri varieties.	Unprocessed	Major	Do.	..	Negligible except 8 districts.	..	Minor	..	..	
V. F. C. Scrap ..	Unprocessed.	Minor	Do.	Negligible	Negligible	Negligible in 15 Circles.	..	Minor in 13 dists. and negligible in the rest.	..	
V.F.C. Scrap ..	Processed	Minor	Do.	..	..	Negligible in 15 Circles and Minor in one range.	..	..	..	
Nepali ..	Unprocessed	Major	Patna, Bhagalpur and Ranchi Circles.	..	..	..	..	Negligible	..	

Statements showing comparative analysis of classification of certain varieties of Tobacco—contd.

In Allahabad Collectorate				In Other Collectorates					
Variety	Description	Classification.	Limitation	Baroda	Nagpur	Delhi	Patna	Bombay	Remarks
1	2	3	4	5	6	7	8	9	10
Ratoon of biri variety.	Processed	Major	Whole Collectorate except 3 towns and one Distt. Do.	..	Minor	Minor	..	..	
Do.	Unprocessed	Major	Do.	Minor	Negligible (except 10 Distts.)	..	..	..	
V.F.C. Scrap ..	Do.	Minor Negligible	13 Distts. In rest of Collectorate.	Major	Negligible	Negligible	Major		
V.F.C. Scrap ..	Processed	Major	Whole Collectorate.	Major	Minor	Minor	..	Negligible in 15 Circles and Minor in 1 range.	
Nepali ..	Unprocessed	Negligible	Do.	..	..	..	Major in 3 Circles	..	

In Hyderabad Collectorate				In Other Collectorates						
Variety	Description	Classification	Limitation	Delhi	Nagpur	Allahabad	Bombay	Baroda	Patna	Remarks
1	2	3	4	5	6	7	8	9	10	11
Rava ..	Bidi Dust and Powder.	Minor	Whole Collectorate	Negligible	Negligible	Negligible	Negligible	Negligible	..	
V. F. C. Stem Bits	Not longer than 1/6th of an inch.	Negligible	Do.	..	Minor	Major	..	Minor	Minor	
Dust ..	..	Minor	Hyderabad State	Incapable	Incapable	Incapable	Incapable	Incapable	Negligible	
I.A.C. Cigarette tob. rejected by Cigarette Companies.	..	Negligible	In only Mehboobnagar Circle.	..	..	Negligible in whole Collectorate.	..	..	..	

Table showing comparative figures of quantities of Tobacco other than flue-cured cleared for home consumption.

(i) At the higher rate for biris;

(ii) At the lower rate for other purposes (excluding stalks and Nil duty clearance).

Note:—Quantities are shown in millions of lbs.

—	1948-49	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	Remark
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

ALLAHABAD COLLECTORATE

1. At higher rate ..	1.86	2.35	2.52	4.60	5.25	5.29	5.98	
2. At lower rate ..	63.17	69.22	68.68	61.87	63.10	58.76	57.31	

DELHI COLLECTORATE

1. At higher rate ..	0.67	0.53	0.64	0.56	2.72	1.81	1.83	
2. At lower rate ..	10.68	11.58	11.95	10.50	21.99	21.27	21.52	

MADRAS COLLECTORATE

1. At higher rate ..	11.65	18.03	19.25	21.07	21.08	20.34	22.21	
2. At lower rate ..	118.42	114.07	113.55	102.64	79.02	59.70	66.83	

BARODA COLLECTORATE

1. At higher rate ..	..	3.98	11.09	9.95	10.82	10.10	11.21	
2. At lower rate ..	..	3.43	12.13	9.23	8.13	8.88	9.58	

PATNA COLLECTORATE

1. At higher rate ..	..	..	..	9.35	10.32	9.74	10.94	
2. At lower rate ..	..	..	..	27.83	25.14	24.42	24.31	

COPY OF LETTER F. No. 37/1/56-CX, DATED THE 27TH JUNE, 1956 FROM THE OFFICER ON SPECIAL DUTY, CENTRAL BOARD OF REVENUE, NEW DELHI, TO THE SECRETARY, TOBACCO EXPERT COMMITTEE, CENTRAL REVENUES BUILDING, MATHURA ROAD, NEW DELHI.

SUBJECT:—*Tobacco Warehouse Losses.*

I am directed to enclose a note on the above subject and to say that the Board would be grateful to the Tobacco Expert Committee for their examination of the problem of warehouse losses and for any advice they may be in a position to give for a solution of the problem.

NOTE

On the introduction of the Tobacco (Excise Duty) Bill in 1943 the then Finance Member, Sir Jeremy Raisman, gave the following assurance on the floor of the Legislative Assembly regarding levy and collection of duty on tobacco and allowance for dryage and waste in tobacco (1) while it is stored in a bonded warehouse, (2) when it is subjected to certain operations in the warehouse, and (3) while it is in transit from one warehouse to another :—

“The rules were published on the 1st March, and are clear and self explanatory and I need not, therefore, burden the House with more than a brief account of the system. The basic principle on which it proceeds is that the tax should be charged on the raw tobacco but that its levy and collection should be postponed until the tobacco is about to go into use and provision is accordingly made for official supervision and control of the commodity from the stage of its production until it is finally marketed. In framing the system regard has been paid to the practical conditions of the industry with a view to reducing the inconvenience to a minimum and to ensuring that official operations fit in with the requirements of the trade. If the curer or the purchaser so desires, the duty may be paid immediately the tobacco has been cured and made fit for sale but for the general convenience of the trade and in particular to allow remission of duty to be claimed in respect of losses incurred during storage and of refuse tobacco unsuitable for manufacture, and in order also to postpone payment until the tax can be transmitted to the consumer with the least possible delay, the wholesale dealer is permitted to warehouse his goods under bond and to pay the duty when they are ultimately despatched to the manufacturer or retail dealer; and in order to facilitate the disposal of tobacco,

the ultimate market for which is situated at a considerable distance from the original place of production, provision is made for transport under bond from one warehouse to another. Abatement of duty will be allowed in respect of evaporation during storage or waste due to handling within the warehouse, and of refuse such as butts and stems, provided that this is destroyed in the presence of an excise officer or that satisfactory proof is given that it is to be utilized for manure or some other agricultural purpose; and full refund of duty will be allowed in respect of all tobacco exported from India by sea. The rules relating to warehousing operations are generally akin to similar provisions in the Sea Customs Act which have operated satisfactorily over many years and should, therefore, present no difficulty to merchants."

2. The question of losses in tobacco in bond and disposal thereof has been a serious problem since the inception of tobacco excise system. Due to obvious reasons no fixed schedules of limits can be prescribed as losses depend on a number of contributory factors, such as, the nature of packing, duration of storage or transit, the mode of transport, weather conditions, nature of treatment in the warehouse and different varieties of tobacco etc. Under executive instructions the Collectors of Central Excise have been authorised to draw schedules of admissible losses in tobacco in bond. Though the executive instructions issued by the Board to the Collectors in the matter are not available to the public, the trade knows the general principles governing these allowances. The Collectors are required to bear in mind that the instructions issued by them in the matter are elastic to cover different types of cases, in different conditions of storage, processing, transit, weather etc., and wherever possible, to conduct experiments with the co-operation of the trade in different varieties of tobacco and under varying climatic conditions in their respective jurisdictions. This has been considered necessary to minimise the administrative difficulties and to redress the genuine grievances of the trade.

3. It is said that, generally speaking, tobacco loses weight steadily during the first two months of storage; thereafter unless it is exposed to heat the dryage is less rapid. If it is packed in bags or kacha bundles and warehoused soon after curing the loss of weight during the first three months will range from 3 to 10 per cent. depending on its condition at the time of warehousing. Where tobacco is stored in bulk, *i.e.*, without being bagged or bundled, the loss will be greater and may range from 5 to 15 per cent. during the first three months. Laboratory tests have indicated that tobacco to which water or other foreign matter, such as molasses, is added loses weight more rapidly when stored than tobacco containing only its natural moisture. It has also been observed that the bigger the quantity of tobacco in a stack the lower will be the percentage loss from dryage in a given period. Tobacco stored in very big heaps may take 6 months to lose the same percentage weight as the same tobacco would lose if stored in small heaps. Also if tobacco is moved from one heap to another for fermentation or other reasons it will undergo more exposure to the atmosphere and dryage will be more rapid. On account of these considerations, as stated above, the Central Excise Officers have to take into account:—

- (i) condition of tobacco on receipt into warehouse;
- (ii) mode of packing;

(iii) period of storage; and

(iv) weather conditions during storage, for adjudication of cases.

4. Reports received recently from the Collectors of Central Excise reveal that besides other varieties of tobacco, the following varieties of tobacco contain excessive moisture:

<i>Local name of variety</i>	<i>Collectorate</i>
Gadia	Baroda.
Ossikappal	Madras.
Rassa and Gadda	Allahabad.
Pataku	Calcutta.
(i) Rohilla tobacco	} Hyderabad.
(ii) Pit-cured tobacco of Ananthapur Division.	
(iii) Wetted I. A. C. tobacco of Vijayawada Division.	

5. To cite an instance, the following note by the Collector of Central Excise, Baroda, on the peculiar method of curing and dryage of tobacco known as GADIA may be useful:—

“The whole plant is harvested and left at the field for a few days. After the leaves have turned brown and begun to dry, they are sprinkled liberally with water and are assembled. A sort of wrapper is made with selected large leaves inside which are rolled small leaves; the roll is bent in the middle and twisted into something like a figure of ‘8’, the whole being securely tied to preserve the shape. At this stage, the Gadia takes shape and both the wrapper and its contents are excessively wet. There are artisans who make up these Gadias and speaking generally Gadias are of comparable standard weight.

The Gadias are then stocked in a rectangular heap, liberally watered and covered up with gunny, quilts, etc., loaded with stones or other weights and left for about four days during which fermentation takes place and the gadias turn dark nutbrown to black in colour. The heap or Chaki is then opened up and Gadias exposed to the air. At this stage, the Gadias are dripping wet with water. They are weighed in this condition. The method of ascertaining the quantity cured is to count the total number of Gadias made out of one curer’s produce and to ascertain the average number of Gadias per katcha maund. Weighment is done by recognised “Dalals” whose word as to the weight per Gadia on opening the Chaki is accepted by the producer as well as buyer. It is this wet weight and quality of the Gadia which determines the value at which the Gadia is sold to the prospective buyer. The quality is a matter of the producer’s reputation and, barring odd instances, it is not actually tested by smoking or otherwise tasting the tobacco. The value for disposal of curer’s produce is determined by the “Dalals” testimony as to the field in which grown and the number of Gadias per maund when the Chaki was opened. The total weight ascertained is noted as the curer’s annual return of produce.

Marketing of Gadias begins almost immediately after the Chakis are opened. Experimental observations conducted about two seasons ago show that the loss of weight in storage of freshly cured Gadia until the tobacco reaches moisture equilibrium with the surrounding air in September-October is of the order of 60 to 70 per cent, the rate of evaporation being much faster in the earlier weeks of storage in dry weather."

6. In such varieties of tobacco not only is the scale of storage losses abnormally high, but such abnormal losses upset the usual considerations underlying our policy of warehousing besides flooding the appellate authorities with appeals and revision petitions under sections 35 and 36 of the Central Excises and Salt Act, 1944. The facility of warehousing is largely a concession to postpone payment of duty. In Customs practice, loss in weight of warehoused goods is not ordinarily encountered except to a very small extent in the case of wines and liquors and of highly volatile substances like petrol. The only advantage of warehousing the goods is that the grower need not be exploited by the trader and the owner need not immediately lock up his capital by way of duty. The interest on this capital is thus saved. Govt. in its turn is prepared to give this accommodation on the security of the goods. But in the case of such varieties of tobacco the position is altogether different. The price of the wet tobacco when it changes hands from the curer to the commission agent-cum-warehouse-keeper is about Rs. 10/- to Rs. 12/-, while in the fully dried stage when it is cleared from the warehouse the price is between Rs. 20/- and Rs. 25/-. There is also a wide discrepancy in the duty payable at the time of receipt and at the time of clearance. To take a concrete example, if a quantity of 100 lbs. is received into the warehouse the duty on it would be Rs. 37/8/- at -/6/- a lb. If the same tobacco is reduced in weight about 40 lbs. in the course of 6 months or so, the liability to duty is reduced to about Rs. 15/-. If the assumption is true that the cured tobacco in the condition in which it is received into the warehouse is liable to duty, it follows that the duty actually realised by Government is only about 40 per cent. of the presumptive duty legally due to Government. This raises a fundamental issue. In cases where storage losses are nil or negligible, economically saving of interest charges on the amount of duty has to be balanced against the cost of warehousing and loss of interest on working capital. While bonding amounts to the grant of financial accommodation by Government during the period of storage, the whole economics in the cases referred to above are different. The concept of warehousing as ordinarily understood does not seem to be correctly applicable to the situation of this type.

COPY OF LETTER F. No. 37/1/56-CX, DATED THE 9TH JULY, 1956 FROM THE SECRETARY, CENTRAL BOARD OF REVENUE, NEW DELHI TO THE SECRETARY, TOBACCO EXPERT COMMITTEE, CENTRAL REVENUES BUILDING, NEW DELHI.

SUBJECT:—*Tobacco—Losses in warehouses.*

I am directed to refer to the note forwarded with the Board's letter of even number dated the 27th June, 1956 wherein the problem of warehouse losses was discussed in details.

2. During the course of discussions in the Conference of Collectors of Central Excise held recently at Calcutta, it was unanimously felt that the present system of adjudication of losses has many defects and some radical solution to the problem was essential. It was also recognized at the Conference that the fixation, by law, of the limits within which losses should be condoned was probably infeasible, and a suggestion was made that since section 3 of the Central Excises and Salt Act, 1944, provides for levy and collection of duty on excisable goods *produced*, and warehousing is only a concession granted by the Central Excise Rules, 1944, the duty should be collected on the quantity of tobacco *originally* entering the warehouse from the curer's premises, without *any* abatement for subsequent losses of *any* description occurring while the tobacco remains in bond.

3. The consequences flowing from the foregoing scheme are:—

- (1) Although the duty involved in "in bond" losses is a small fraction of the total revenue derived from tobacco, a vast arena of controversy now prevails between the Government and the trade around the adjudication of such losses. This will be totally eliminated.
- (2) The scheme will not interfere with the main benefit conferred by warehousing, namely, the postponement of payment of duty for a period of 3 to 5 years.
- (3) In cases where the tobacco comes into the warehouse in a more or less dry form, only a slight increase will result in the quantum of the duty ultimately paid on the tobacco.
- (4) Where the tobacco enters the warehouse in a moist form, increase in duty liability may be appreciable, but the dealer would be at liberty to purchase the tobacco from the curer in a dried form, wherever that is possible. This may, however, be undesirable from Government's point of view as it might delay the warehousing of tobacco, and may, therefore, involve stricter enforcement of the time-limit now laid down for first warehousing of cured tobacco.

4. The Board would be grateful if the Tobacco Expert Committee would be good enough to put the scheme to the various sections of the trade the Committee will come into contact with in the course of its investigations, and ascertain their reactions and communicate them to the Government of India in due course together with the Committee's own recommendations.

CHAPTER IV

WORKING OF THE CAPABILITY TARIFF

20. *Effect of change*—(a) With the amendment of item 9 of the schedule to the Central Excise and Salt Act I of 1944, tobacco other than flue-cured and not ordinarily used for the manufacture of cigarettes or smoking mixtures for pipes and cigarettes, but capable of being used for the manufacture of biris, was to be assessed at annas -/14/- per lb. If such tobacco was used for the manufacture of cigarettes or smoking mixtures for pipes and cigarettes, it was to be assessed @ -/9/- per lb. All other non-flue-cured tobacco was to be assessed @ -/6/- per lb. Any tobacco to be used for agricultural purposes was allowed to be cleared at the nil rate of duty. It will thus be seen that while in the case of cigarettes the rate of duty is determined on the actual use of the tobacco, the rate of duty on the other tobacco was to be determined on the capability of the tobacco, irrespective of its ultimate use. While normally tobacco capable of use for biri manufacture is not used for any purpose other than the manufacture of biris, in certain parts of the country superior qualities of chewing mixtures are generally made out of such tobacco. Such chewing mixtures, therefore, bear a higher tax than they used to bear under the intended use tariff. Similarly snuff tobacco which, under the intended use tariff, was treated on par with biri tobacco in the matter of the rate of duty, became liable to a lower rate of duty because, normally, tobacco used for snuff is not capable of use in biris. There are, however exceptions to this, notably in some parts of South India.

(b) While the manufacture of cigarettes or smoking mixtures for pipes and cigarettes is carried on in only a few factories and the process of manufacture is highly mechanised, biri manufacture is carried out generally all over the country as a cottage industry. The raw material required is easily available and the process of manufacture is so simple that it is in several areas a household industry. For this reason, it was found difficult to have any physical control over all these operators to ensure that tobacco on which duty at a lower rate is paid is not actually used for the manufacture of biris.

21. *Initial difficulties*—In accordance with Notification No. 23/CX, dated the 14th July, 1951, of the Ministry of Finance (Revenue Division), each Collector of Central Excise issued notifications classifying varieties which were used in biris on a negligible scale (*i.e.*, not exceeding 5% of their total off-take). Further, in accordance with the executive directions of the Central Board of Revenue contained in their letter No. 9/16-CXI/51 dated 12th July, 1951, Collectors have also classified varieties which were capable of use in biris on a minor scale (*i.e.*, over 5 but under 25% of the off-take). In the initial stages considerable difficulty was felt by the trade due to lack of uniformity in the Collector's notifications, omission of well known chewing varieties from the lists, and incorrect classification of certain varieties with reference to certain areas. In course of time, however, many of those initial difficulties were settled. The classification of several varieties, some of them used extensively for purposes other than biris has, however, continued to cause dissatisfaction to one or other section of the trade.

22. *Inter-Collectorate Movements*—Another matter which caused considerable difficulty to the trade in the initial stages was the restriction on movement of tobacco cleared at the lower rate of duty from one notified area or zone to another. The letter of July, 1951 of the Central Board of Revenue and Notification No. 23-CX, dated the 14th July, 1951, provided for movement of such tobacco outside the areas in which lower assessment was permitted only after payment of the differential duty between the lower and higher rates. As an alternative to this, such tobacco could move without payment of duty under Bond. Also, in the initial stages, even in cases where the tobacco cleared at the lower rate had to move to another area situated in another Collectorate where it was similarly assessed, the freedom of movement was found to be seriously restricted. This happened because the power to define areas where any lower rated assessment of particular varieties was to be permitted, vested with the Collectors who had no jurisdiction outside their charges. While some of the Collectors of Central Excise *e.g.*, Calcutta, Hyderabad and Nagpur had permitted such inter-collectorate movements of varieties similarly classified in their respective charges in consultation with the other Collectors concerned, most of the other Collectors did not do so. It was not till September, 1954 that this matter was seriously tackled by the Central Board of Revenue when, after a Conference of Collectors of Central Excise, the Board authorised inter-collectorate movements of duty paid tobacco if the varieties were similarly classified in the area to which movement was desired. While some Collectors of Central Excise have been able to implement this scheme, two Collectors have not done it even upto date. It would, therefore, appear that, difficulties in regard to inter-collectorate movement of this type still continue to exist in some of the areas.

Further where movement of lower rated tobacco from one lower rated area to another is through an intervening area where the particular variety is not eligible for lower rated assessment, such transit is permitted only on payment of the differential duty. The hardship involved in such cases is obvious.

23. *Lack of Uniformity*—(a) A close study of the various orders issued by Collectors of Central Excise regulating the assessment of various varieties within their areas reveals major differences in the treatment of the same tobacco in different areas. The manner in which the various varieties were classified also shows a wide disparity. In some Collectorates, where the classification of varieties is based on their local names either no mention of the physical form of tobacco is made or where such mention has been made in the case of a few varieties, all the different physical forms in which the tobacco is marketed are not clearly and comprehensively indicated. Some Collectorate orders show the varieties grown within the Collectorate, and those brought from other areas separately. In the Madras and Hyderabad Collectorate orders, the classification of varieties is based on the area in which each is produced. This has resulted in the same varieties being listed repeatedly under different Central Excise Circles and Divisions where they are grown.

In order to compare the classification of main varieties of tobacco for purposes of assessment in different parts of the country, an attempt was made to collect a comprehensive data of the various local names by which each variety of tobacco is known in the areas of production and the different physical forms in which each is marketed. Due to the great diversity in the manner of classification adopted in different areas this has been a

difficult task and reliance had of necessity, to be placed either on the local name, or the physical form of tobacco, while compiling this data. Table No. 5 appearing at pages 50-57 gives at a glance how each variety is classified for purposes of assessment in different Collectorates, and brings out sharply the lack of uniformity both in the classification of most varieties for purposes of assessment and also in the method adopted in making such classification. This table omits the assessment orders in force in the Madras and Hyderabad Collectorates. These are, as already explained, of a pattern some what distinctive from the manner of classification followed in other Collectorates. They are, therefore, reproduced individually at Table Nos. 6 and 7 appearing at pages 58 to 65.

(b) In some Collectorates, by a process of frequent revision some degree of uniformity in the manner of classification is now noticeable. Preference appears to be in favour of a broad classification of varieties of tobacco giving its description *i.e.*, in whole-leaf form or broken leaf grades, processed or unprocessed etc., local name and the name of the various areas in which each such variety is grown. This method is followed in the Allahabad, Nagpur, Bombay Collectorates. It is claimed that the main object of this method is to obviate repetition of names of varieties and make the list more easily understandable both by the trade as well as by the officers. Nevertheless the existence of a very large number of varieties, the several local names by which each is known, and their different physical forms *e.g.*, whole leaf, unprocessed and processed grades, and the large permutations and combinations, render a comprehensive classification extremely difficult. Many orders are, therefore, either incomprehensive, or merely illustrative rather than exhaustive. Such orders are also fairly lengthy and consequently considerable difficulty is caused in the assessment of certain varieties. While the Excise staff are supplied with complete literature of all such classifications, and their amendments, the trade in general is unable to keep themselves posted with the latest orders because of these several factors. More over, the trade finds it still more difficult to keep itself informed of the changes made in the classification of tobacco in areas outside the collectorate where they would often be interested in selling it.

(c) A comparison of the treatment accorded to the same variety or the same kind of tobacco in different areas reveals wide differences. In some cases the Collectors' notification does not clearly indicate to which form of the same tobacco the orders relate. Confusion is thus caused where a variety in whole leaf form is declared incapable of use in biris, but classification in its processed or unprocessed form is omitted. Under the existing orders, this would *ipso facto* classify broken portions of such tobacco for higher rated assessment. The omission is probably due to the fact that such whole-leaf varieties are normally not marketed in processed or unprocessed form.

As a result of all this, the same variety which is rated at the lower rate in certain areas, happens to be rated at the higher rate in other areas, but even in those rare cases where it is so marketed, assessment disputes are bound to arise.

(d) Similar difficulties arise in respect of Ratoon Tobacco. For example, in the Ajmer State, while processed Ratoon tobacco grown in the Delhi Collectorate is invariably assessed @-/14/- per lb., the processed Ratoon Grades of Gujerat and Nipani are, if denatured, made assessable @-/6/- per lb.

TABLE

Statement showing classification of main varieties of tobacco for purposes of

1. To be assessed @-/14/- per lb. throughout the Collectorate.
2. To be assessed @-/6/- per lb. after denaturation throughout the Collectorate.
3. To be assessed @-/6/- per lb. throughout the Collectorate.

S. No.	Name of variety	Physical form and characteristics.	Alternative names of the same or similar varieties.
1	2	3	4
1.	Chopadia (Red) ..	Whole leaf in judies	Calcutti Chopadia, Calcutti Pada, Lal Pada, Lal Judi, Pada, Gol Judi, Lal Chopdi.
	Do. ..	Unprocessed broken form	Do.
	Do. ..	Processed	Do.
2.	Chopadia (Black) ..	Whole leaf in Judies	Kala Pada, Calcutti Pada, Pada, Calcutti, Chopadia, Vani, Wangiya, Kali Chopdi, Kali Judi, Kala Patla, Cholkhan, Kali Pudi, Patta, Patla, Barhadi, Kala Juda, Kala Patla, Black Chanchva, Calcutti Chanchva, Wangiya-ka-Chanchva, Talapda.
	Do. ..	Unprocessed broken form	Do.
	Do. ..	Processed	Do.
3.	Muthia ..	Individual leaf rolled in the shape of a ball.	
4.	Goti ..	Whole leaf in rectangular bundle shape.	Bazaar Padas.
5.	Pendhi (Black) ..	Whole leaf in Judies	Satara Pendhi, Bhoj Pendhi, Kali Pendhi, Hatpan, Man jri Pendhi.
	Do. ..	Unprocessed form	Do.
6.	Pendhi (Red) ..	Whole leaf in Judies	Gavrani Judi, Jawari Hatpan, Lal Pendhi, Anki, Dutondi, Bandari, Hatpan Pendhi, Bhoj Pendhi.
	Do. ..	Broken form	Do.
7.	Yeslu and Yelli ..	Whole leaf in hanks or in broken form.	..
8.	Ground leaves ..	Bottom-most leaves whole and broken form.	Geran, Galia, Ghal, Bispat, Pakapatta.

No. 5

assessment under the capability tariff in different Central Excise Collectorates.

4. To be assessed @ -/14/- per lb. in specified areas.
5. To be assessed @ -/6/- per lb. after denaturation in specified areas.
6. To be assessed @ -/6/- per lb. in specified areas.

Classification for purposes of assessment								REMARKS
Nagpur	Baroda	Bombay	Delhi	Allaha- bad	Patna	Cal- cutta	Shillong	
5	6	7	8	9	10	11	12	13
3	6,4	3	** 3,6,4	3	..	† 6,4	..	*For Red Judi only. In Baro- da Red Judi is alternative name of Red Chopadia.
..	6,4	6,4	..	..	..	..	..	†For Calcutti Variety only.
2	6,4	5,4	** 2,5,4	..	..	..	..	*For Red Judi only. In Baro- da Red Judi is alternative name of Red Chopadia.
3	3	3	3	..	..	6,4	..	
..	3	6,4	..	..	..	..	..	
..	3	5,4	2	..	..	..	..	
..	1	..	..	..	..	..	..	(Produced on a very small scale for local consumption only.)
3	6,4	3	..	..	..	..	..	
3	3	3	..	..	..	6,4	..	
..	3	5,4	..	..	..	..	..	
3	6,4	3	..	..	..	6,4	..	
..	6,4	5,4	..	..	..	..	..	
..	..	6,4	..	..	..	..	..	
..	..	..	3	..	..	3*	3*	*For Bispat to- bacco only.

TABLE

1	2	3	4
9.	I. A. C. Desi grown in North India.	Whole leaf in judies or bundles.	Khaini, Sambhali, Kampila, Gariha, Kalkatia, Dhabha, Dhaturia, Katiki, Pahelo Arval, Kabli, Kabla, Vilayati, Chebua, Chotki: Diyar, Bachhaur, Mohan Saraisa, Janakpuri, Murhan Dhakka, Sapota, Khaini, Cutta, Maghi, Patla, Baisakhu, Mahu, Desibhang, Motihar, Bilayti, Kalcuti Lakra, Katiki, Javera, Noki, Jutti, Malvi, Gobi, Lothan, Sailoo Vnaloo, Bacha, Rasi, Baigani, Baiganipatra and Baigani Dokta, Purbi.
10.	Do. ..	Whole leaf in hanks, Kattas, etc.	Bhurshut, Bhang, Kamidi, Chuanpatra, Dhingia, Dokta, Dhuanpatra, Jahari, Desi Dhuanpatra, Desi Dhuan, Kalia Bhang, Kata Bhang, Motichur, Pikka, Bissengiri, Jati, Pulla, Bondi, Hatia, Bori, Dhakka, Baisakha, Kalkatia, Cutta, Mutha.
11.	Do. ..	Whole leaf twisted in coils or in rope form.	Pan, Farrukhabadi, Junas, Dhakka, Rassa, Baisakha, Desi Coil, Katki, Kalkatia, Cutta, Mahu, Gangla, Rassa Mahu, Rassa Baidu, Kabli, Vilayati, Bhelsa, Maghi, Gobi, Nadia.
12.	Do. ..	Whole leaf with stalks	Gunda, Bhang, Kalidhuan, Jahari, Kathia, Dokta, Kaliagundabhang, Chhoria, Hingla, Vilayati, Motihar, Mymensinghia, Chadapata, Borpat, Kukkar.
13.	Do. ..	Whole leaf cured in heaps	Chhutia, Dhamakul, Kathi, Konya, Katki, Pahelo, Arval, Peoni, Ganj.
14.	Nepal Tobacco ..	Whole leaf	Nepali, N. A. C.
	Do.	Broken leaf grades	Napali Choor.
15.	Cheroot Tobacco ..	Whole leaf in hanks, skeins for cheroot.	Chuanpatra, Dhingia, Gudialy, Pataku, Natak, Rema, Poti, Chanduli Dhuanpatra.
16.	I. A. C. Desi ..	Broken leaf grades of whole leaf varieties grown in Northern India.	Chura, Katma, Murhan Chura, Chhotki, Chhabua Chura, Raddi, Kutti, Chat, Kuchila, Dana, Brown Patti, Sanni, Chilasi, Kanni.

No. 5—contd.

5	6	7	8	9	10	11	12	13
3	..	3	3	3	3	* * 6, 4	† 3	*For Khaini, Maghi Moti- har and Bai- gani Dokta tobacco only. †For Motihar only.
3	..	..	3	3	..	† † * 6, 4, 3	* 3	†For Dhuan- patra and Motichur only. *For Jati only.
3	..	..	3	3	..	..	..	
3	..	..	3	3	..	* * 6, 4	† 3	*For Gunda tobacco only. †For tobacco grown in Col- lectorate only.
3	..	..	3	3	..	..	..	
3	..	..	3	3	6, 4	..	..	
3	..	..	..	3	..	..	..	
3	..	..	..	..	..	6, 4	..	
3	..	..	3	3	..	* * 6, 4	..	*For Darbhan- ga and Bhagal- pur tobacco only.

TABLE

1	2	3	4
17. Twist tobacco	..	Whole leaf in twists	Ambalia, Amalia, Valia, Janglas, Bhutannoor-Vilayati, Gadia, Nada, Bad-da, Baria, Jevra, Judhi, Gobi, Gujarathan, Undia, Eitt, Desi Katki, Gujrat Ganthi, Pilach Tambacu, Toba, Yet, Varia-Gadia, Godaku, Amolia, Noki Baingani, Baisakhu, Mahu, Kablu, Juna, Dhaturia, Dhaba, Lachha, Kutta Bhang, Hingli, Baingani, Sak, Vilayati Bhang, Gatch, Ghora, Baria.
	Do.	Unprocessed form	Do.
	Do.	Processed form	Do.
18. Sukho Akho	..	Broken leaf sundried tobacco of Gujarat (Unprocessed).	Akho Bhuko
	Do.	Broken leaf sundried tobacco of Delhi Collectorate (Unprocessed).	Akho Bhuko, Akha Zarda
	Do.	Broken leaf sundried tobacco of Rajasthan (Processed).	Mewar Chura
19. Ratoon	..	Broken leaf unprocessed	Pilu, Pilani, Khakri, Khutan, Khuntan, Boch, Khut, Ghalkhut, Khutkhuda, Choora, Doonji.
	Do.	Processed	Khut Farmash.
20. Calcutti Tobacco		Broken leaf unprocessed	Calcutti, Calcutti Bhuko, Calcutti Suko, Calcutti Chura, Kanni, Pandharpuri, Angad.
	Do.	Processed	Calcutta Farmash, Pandharpuri Farmash.
21. Biri Tobacco	..	Broken leaf	Ponkio, Desi Farmash, Mirzi Tobacco, Fol, Motiput, Zarda, Zardi, Nipani, Lilvoakho, Lalakhobukho, Motha Zarda, Desi Angad, Akho Zardo.

No. 5—contd.

5	6	7	8	9	10	11	12	13
3	* 1, 3	3	3	3	3	† 3	..	*For Undia twists only. †For Hingli tob. only.
* 3	† 1, 3	5, 6	..	..	..	..	..	*For tobacco grown in Bi- har, Orissa, U. P. and Delhi Collectorates. †For Undia to- bacco only. *Grown in the Collectorate.
2	*	..	..	..	..	..	..	
* 3	1	..	* 5, 4, 6	..	..	..	..	*If of 1952-53 and earlier crops.
3	..	..	6, 4	..	..	..	..	
2	..	..	..	..	..	..	..	
6, 5	2	5, 6, 4	† 6, 4, 3	† 4, 2	5, 4	..	..	*For Ratoon of Rassa tobacco. †For Ratoon of Rajasthan to- bacco. ‡For Ratoon of Bombay State and U. P.
2	1	5, 6, 4	2	* 5, 4	..	..	..	
2	1	..	5, 4, 3	..	..	..	..	*For tobacco grown within the Collecto- rate only.
..	1	..	..	..	..	..	..	
..	1	..	* 1, 4, 5	..	1	..	..	*For Lal Bhuko only. In Baro- da Collecto- rate Lal Bhuko is a standard biri variety.

TABLE

1	2	3	4
22.	V. F. C. & V. A. C. Scrap	Unprocessed Broken leaf.	Chura, Guntur, Chura, Gul-la, Scrap-Barron, Barn Chura, Guntur, Nat, Scissor Patti, Nizam.
	Do.	Processed form	Do.
23.	Dust of tobacco including stem dust.	..	Rafi, Dhus, Dad, Rafi, Girdi, Lot, Garda, Gal, Dhura, Dhara, Kadipith.
24.	Stems	.. Crushed	Kadi, Naskadi, Pansli, Kadi Farmash, Tayarkadi, Gani Kadi.
	Do.	.. Uncrushed	Thagora, Dankhla, Lakadu, Rafo, Naso, Angad Kadi, Kandi, Mota Kadi.
25.	Rawa including rawa of stems.	Not larger than 1/22'' (Allahabad, Baroda, Delhi), 1/16'' (Nagpur, Bombay).	Rawal, Rafi, Rai, Ful, Kadi Rawal.
26.	Other inferior broken leaf grades.	Unprocessed	Nimarichoor, Gunda, Marari, Arri, Chongi, Gavran, Gavrani, Choor, Saresa.
	Do.	.. Processed	Do.
27.	Black Tobacco	.. Broken leaf cured by addition of water.	Kaliu, Black Patti, Kali Tobacco, Zardi.

NOTES:—

1. The above statement gives the position prevailing in the middle of 1956.
2. Varieties whose classification is not indicated in Collectorate orders are either not
3. Varieties notified as assessable at the lower rate in specified areas of a Collectorate at the higher rate.
4. Varieties classified for assessment in whole leaf form but whose classification in to be used in such form or are assessable at the higher rate. In Delhi, Bombay and from packing and handling are to be treated on par with the whole leaf

No. 5—contd.

5	6	7	8	9	10	11	12	13
3	..	5, 6, 4	3	6, 5	2	6, 4	..	
2	..	5, 6, 4	5, 6	..	..	6, 4	..	
3	3	3	3	3	3	6, 4	..	
2	* 1	6, 4	† 3	..	** 2	..	..	*Except of red and black varieties.
3	* 2	6, 4	3	3	** 2	..	..	†Except of Akha Zarda and Akho Sukho and black and red chopadia.
								** of biri and Virginia varieties only.
3	3	3	* * 3, 5, 4	3	† 3, 2	6, 4	..	*For I.A.C. Rawal.
								†For Rawa of Biri varieties.
3	..	3	* * 6, 4	..	* * 6, 4, 5	† † 6, 4	..	*For Choor tobacco only.
* 2	..	5, 4	..	..	..	..	..	†For tob. grown in Orissa only.
								*For locally grown tobacco Saresa tobacco only.
..	3	6, 4	* † 3, 2	..	..	..	..	*Of Rajasthan. †Of Gujarat.

reported to be used in that area or are assessable at the higher rate.

only are either not reported to be used at all in other areas or are assessable only

their broken form is not indicated in Collectorate orders are either not reported Nagpur Collectorates, however, broken portions of whole leaf varieties resulting varieties.

Copy of orders classifying varieties of Tobacco for purposes of assessment in Hyderabad Collectorate.

TABLE No. 6

I

List of Varieties of tobacco only theoretically capable of use for the manufacture of biris but have no established use in biris even on a negligible scale.

Variety and local name (if any)					Areas where grown
HYDERABAD STATE					
Lanka (Cheroot) tobacco	..	..	..	..	Karimnagar and Warangal Circles.
ANDHRA AREA					
Indian Air-Cured—					
Patiyaku	..	..	..	..	} Srikakulam Circle.
Natiyaku	..	..	..	..	
Indian Air-Cured—					
Devulapalli (Cheroot) Tobacco	..	..	..	..	} Vijayanagaram Circle.
Matta Sarakku	..	..	..	..	
Pattu Sarakku	..	..	..	..	
Indian Air-Cured—					
Pattiaku	..	..	..	..	} Visakhapatnam II Circle.
Natiyaku	..	..	..	..	
Indian Air-Cured—					
Desavalli	..	..	..	..	} Anakapalli Circle.
Berhampur	..	..	..	..	
Indian Air-Cured—					
Garapaku	..	..	..	..	} Kakinada Circle.
Lankaku	..	..	..	..	
Indian Air-Cured—					
Lankaku	..	..	..	..	} Rajahmundry Circle.
Morakaku	..	..	..	..	
Patti Aku	..	..	..	..	
Garapa Aku	..	..	..	..	
Indian Air-Cured—					
Lankaku	..	..	..	..	} Tanuku Circle.
Patti Aku	..	..	..	..	
Indian Air-Cured—					
Uttaradi Patti	..	..	..	..	} Ellore Circle.
Nattu Aku	..	..	..	..	
Lanka Aku	..	..	..	..	} Kovvur Circle.
Gharapa Aku	..	..	..	..	
Indian Air-Cured (including Mustabala)—					
No local name	..	..	..	..	Masulipatnam Circle.

TABLE No. 6—*contd.*

Variety and local name (if any)					Areas where grown
<i>Indian Air-Cured—</i>					ANDHRA AREA— <i>contd.</i>
Nattu Pogaku	..	..	..	..	Vijayawada Circle.
<i>Indian Air-Cured—</i>					
Nattu tobacco	..	..	...	..	Sattenapalli and Guntur Rural Circles.
<i>Indian Air-Cured—</i>					
Chebrolu	..	..	..	..	} Tenali Circle.
Lanka	..	..	..	..	
Padamabi	..	..	..	..	
<i>Indian Air-Cured—</i>					
Natu Chutta	..	..	..	..	} Bapatla Circle.
Pogaku	..	..	..	..	
<i>Indian Air-Cured (Cheroot)—</i>					
Regadaku	..	..	..	..	} Ongole Circle.
Patiaku	..	..	..	..	
<i>Indian Air-Cured (Chewing)—</i>					
Noti Pogaku	..	..	..	..	Ongole Circle.
<i>Indian Air-Cured—</i>					
Gulla	..	..	..	..	} Narasaraopet Circle.
Ottru tobacco	..	..	..	..	
<i>Indian Air-Cured—</i>					
(No local name)	..	..	..	..	Bellary Circle (now Adoni).
<i>Indian Air-Cured—</i>					
Namale Pogaku	..	..	..	..	} Ananthapur.
Tine Pogaku	..	..	..	..	
<i>Indian Air-Cured—</i>					
Namala Pogaku	..	..	..	..	} Cuddapah Circle.
Gunta Pogaku	..	..	..	..	
Mattan Pogaku	..	..	..	..	
Kattamudi	..	..	..	..	
Karuva Pogaku	..	..	..	..	
Mande Pogaku	..	..	..	..	
<i>Indian Air-Cured—</i>					
Karuva	..	..	..	..	} Chittoor Circle.
Amuru	..	..	..	..	
Kuttaku	..	..	..	..	
<i>Indian Air-Cured—</i>					
Kattaku	..	..	..	..	} Atamkur, Udayagiri, Nellore, Kavali, Kandakur and Darsi Taluks of Nellore Circles.
Nattaku	..	..	..	..	
Cholaku	..	..	..	..	

TABLE No. 6—*contd.*

II

List of varieties of tobacco which are not used or are only negligibly used for the manufacture of biris in specified areas.

Varities	Areas where grown	Notified areas for exemption
HYDERABAD STATE		
1. 'Gaorani' (<i>i. e.</i> , local) popularly known as 'Chilim or Chutta' tobacco.	Aurangabad Circle. Nanded District of Nizamabad Circle. Osmanabad District excluding Omerga Tk. and Bhalki, Udgir, Aurad and Ahmedpur Tqs. of Bidar Circle.	Aurangabad Circle, Nanded District of Nizamabad Circle. Osmanabad District excluding Omerga Taluk and Bhalki, Aurad, Udgir and Ahmedpur Tqs. of Bidar Circle.
2. 'Jawari' (<i>i. e.</i> , local) popularly known as Chutta tobacco.	Nalgonda Circle. Warangal Circle. Karimnagar Circle excluding Metapalli and Jagtial taluks of Karimnagar District and Nirmal taluk of Adilabad District. Nizamabad* & Kamareddy taluks of Nizamabad Distt. Mahboobnagar Circle excluding Makthal Atmakur and Wanaparthi taluks of Mahboobnagar Distt. (Jawari tobacco does not include Vikarabad Zarda tobacco).	Nalgonda Circle. Warangal Circle. Karimnagar Circle excluding Metapalli and Jagtial taluks of Karimnagar District and Nirmal taluk of Adilabad Distt. Nizamabad Circle excluding Armoor, Nizamabad and Kamareddy taluks of Nizamabad Distt. Mahboobnagar Circle excluding Makthal, Atmakur and Wanaparthi taluks of Mahboobnagar Distt. Aurangabad Circle and Osmanabad Distt. of Bidar Circle excluding Omerga taluk.
3. 'Mandi-Cured' or 'Pit-Cured' popularly known as chewing tobacco.	Raichur District excluding Alampur and Gadwal Taluks.	Raichur District, Mahboobnagar Circle excluding Makthal, Atmakur and Wanaparthi Taluks. Nalgonda Circle, Karimnagar Circle excluding Metapalli and Jagtial taluks of Karimnagar Distt. and Nirmal taluk of Adilabad Distt. Nizamabad Circle excluding Armoor, Nizamabad and Kamareddy taluks of Nizamabad Distt. Osmanabad Distt. excluding Omerga taluk and Aurangabad Circle.
4. 'Mandi-Cured' tobacco.	Chillim Mauri, Lingagur and Tavergere Ranges of Adoni Circle.	Mauri, Lingagur and Tavergere Ranges of Adoni Circle.
5. I. A. C. tobacco known as Cigarette tobacco rejected by Cigarette companies and their representatives.	Jadiherla, Yapaila, Chagapuram, Manapad, Alampur, Undavalli, Manmangal and Achampet areas of Mahboobnagar Circle.	Mahboobnagar Circle.

*Circle excluding Armoor, Nizamabad.

TABLE No. 6—*contd.*

Varieties	Areas where grown	Notified areas for exemption
ANDHRA STATE		
'Gudiyaly' and 'Patiaku'	Imported from Rayagad-da and Berhampur ranges of Calcutta Collectorate.	Srikakulam and Vizianagaram Circles.
Nattu Pogaku (I.A.C)	Lakkireddipally Range of Cuddapah Circle.	Whole of Cuddapah Circle (Revenue District Cuddapah).
Stems of tobacco other than flue-cured, and stem bits of F.C.V. tobacco not more than 1/6th of an inch in length.	Throughout Hyderabad Collectorate.	Throughout Hyderabad Collectorate.

III

List of varieties of tobacco used on minor scale in the manufacture of biris

Varieties	Areas where grown	Areas where assessment at six annas is permitted after denaturing.
HYDERABAD STATE		
1. 'Vikarabad' Zarda tobacco.	Medak District.	Hyderabad State.
2. 'Gaorani' (Local) tobacco	Bidar District except Bhalki, Aurad, Udgir and Ahmedpur Tqs. and Omerga Taluk of Osmanabad Distt.	Do.
3. 'Pit and Ground-Cured' tobacco.	Gulberga District.	Do.
4. 'Katta' tobacco ..	Alampur and Gadwal of Raichur District.	Do.
5. 'Chutta' Tobacco ..	Armoor, Nizamabad, Kamareddy taluks of Nizamabad Dist. Metapalli and Jagtial taluks of Karimnagar Dist. Nirmal taluk of Adilabad Distt. Makthal, Atmakur, Wanaparthi of Hyderabad East Tqs. of Mahboobnagar Circle.	Do.
6. 'Rohilla Tobacco' ..	Hyderabad Circle	Do.

TABLE No. 6—*concl'd.*

Varieties	Areas where grown	Areas where assessment at six annas is permitted after denaturing.
HYDERABAD STATE— <i>cont'd.</i>		
7. 'Chewing and Chutta' tobacco.	Nalgonda and Warangal Circles.	Metapalli and Jagtial taluks of Karimnagar Distt., Nirmal taluk of Adilabad Distt., Armoor, Nizamabad, Kamareddy taluks of Nizamabad Distt., Atmakur, Waraparthi, Makthal taluks of Mahboobnagar Distt., Hyderabad Circle, Bidar and Omerga taluk of Osmanabad.
<i>Note to item No. 7:—In other parts of Hyderabad State this variety of tobacco can move on payment of duty at six annas per lb. even without denaturing but assessment at six annas in the areas specified in column 3 above is permitted only after effective denaturing.</i>		
8. Biri dust and powder	Hyderabad Collectorate	Hyderabad Collectorate.
9. Sun-cured Chillim tobacco	Mauri, Lingagour and Taverdere Ranges of Adoni Circle.	Throughout Adoni Circle.
10. Sun-cured and Mandi-cured Chillim tobacco.	Raichur Range of Adoni Circle.	Do.
ANDHRA STATE		
V.A.C. white burley and no local name.	Visakhapatnam II, Anakapalli, Kakinada, Rajahmundry, Tanuku, Kovvur, Masulipatam, Vijaywada, Guntur-Rural, Tenali, Narasaraopet, Nellore Circles.	Hyderabad Collectorate.
Kurnool Katta or Matta tobacco.	Whole of Anantapur Divn. (V/a/24/110/52)	Do.

IV

List of varieties which are used on a major scale in the manufacture of biris

Varieties	Areas where grown
Biri tobacco	Raichur District, Gulbarga, Mahboobnagar, Nizamabad and Adilabad Districts.
Jarda tobacco	Adoni Circle, Pamidi, Penunkonda, Bethamcherla and Pathikonda ranges of Anantapur Circle.
Kurnool Biri tobacco	Kurnool Circle.

Copy of orders classifying varieties of Tobacco for purposes of assessment in Madras Collectorate

TABLE No. 7

I

List showing the varieties of tobacco used on a major scale for the production of biris.

Name of the Division/Circle	Variety of tob.	Area where grown	Local name	Remarks
<i>Coimbatore Division—</i>				
Gobichettipalayam	I. A. C.	Entire circle	Biri tobacco	

II

List showing the varieties of tobacco used on a minor scale for the production of biris.

Name of the Division/Circle	Variety of tob.	Area where grown	Local name	Remarks
Madras Division—				
Dharmapuri ..	I. A. C.	Whole Circle	Manavari	} If consumed in Dharmapuri, Salem & Tiruchi Circles.
Salem	I. A. C.	Whole Circle	Manavari	
Tiruchirappalli Division—				
Karur	I. A. C.	Kulitalai & Karur Ranges	Manavari	

III

List showing the varieties of tobacco used on a negligible scale in specified areas for the production of biris.

NOTIFICATION

C. No. IV(b) (1) 12/51. E. 1.—In exercise of the powers conferred by the Government of India, Ministry of Finance (Revenue Division) Notification No. 23, dated the 14th July, 1951, I hereby notify the varieties of unmanufactured tobacco specified in column 1 of the sub-joined table as varieties which are not in fact utilised, or are utilised only to a negligible extent, within the limits of the areas specified in column 2 thereof, for the manufacture of biris.

Varieties	Areas
Sombadam—I.A. C.—Grown in Andipatti Firka of Periakulam Circle.	Tirunelvely, Sattur, Sivaganga Mathurai, Periakulam Circles (Revenue Districts of Tirunelveli) Ramanathapuram and Mathurai excluding Dindigul and Palani Taluks.
Paluppu—I. A. C. Grown—in Pollachi Circle.	Whole of Pollachi Circle (Pollachi & Udumalpet Taluks of the Coimbatore District).

TABLE No. 7—*contd.*

Varieties	Areas
Kuthua Podia —I.A.C.—Grown in Sontikoppa Range, Mercara Circle.	Cannanore, Kozhikode, Mercara and Mangalore Circles (Revenue Distts. of South Kanara, Malabar and Coorg).
Manavari Tobacco—I. A. C.—Grown in the Salem and Dharmapuri Circles and the Kulitalai and Karur ranges of the Karur Circle	Throughout the Madras Collectorate, except the Tiruchirappalli, Salem and Dharmapuri Circles.

IV

List showing the varieties of tobacco not used at all for the production of biris.

Name of the Division/Circle	Variety of tob.	Areas where grown	Local name
<i>Madras Division—</i>			
Madras	I. A. C.	Whole Circle	No local name.
Villupuram	„	„	Vekkadu.
Vellore	„	Thanipadi, Thiruvannalai Chengum North & South Ranges.	Thattupugalai, Ettur Puglai.
Dharmapuri	„	Whole Circle	Iraippu; Usikadari; Erumai Katari and Sambai.
Salem	„ (Irrigated)	„	Erumai Katari & Kattapori Tham-mampatti; Usikadari.
<i>Tiruchirappalli Division—</i>			
Cuddalore	I. A. C.	„	Sivapuri; Matta Pugalai Kathukuthi Pugalai.
Tanjore	„	„	Nattu tobacco Saravalam Cholavari, Adukulai; Annaicherry Trugusemban.
Tiruchirappalli	„	„	Annaikadu; Kudirvalli; Usivalathi Chattivilathi.
Karur	„	„	Vattakappal; Oosikappal.
Dindigul	„	„	Kalla, Vellanazhai, Karunazhai; Oosikappal; Karunkappal; Seyandi; Monai.
<i>Mathurai Division—</i>			
Periakulam	I.A.C.	Whole Circle except Andipatti Firka.	Karuppupadham.
Madhurai	Chewing	Whole Circle	Chewing.

TABLE No. 7—concl'd.

Name of the Division/Circle	Variety of tob.	Areas where grown	Local name
<i>Mathurai Division—contd.</i>			
Sattur	Chewing I.A.C.	Whole Circle Selvarpatti Firka of Sattur range and Mandakoi-patti Village of Sivakasi Range.	Chewing (Uruttu). Thagadu.
Tirunelveli	I. A. C.	Whole Circle	Kalameni.
Sivaganga	I. A. C.	Whole Circle	Thin Pugalai.
<i>Coimbatore Division—</i>			
Erode	I.A.C.	Whole Circle	Perumattai, Samathadu; Oosikappal and Sannam.
Darapuram	„	„	Vattakappal; Erumaikappal and Oosikappal.
Tiruppur	„	„	No local name.
Gobichetti-palayam.	(Pit-cured) I.A.C.	„	Meenampalayam.
Coimbatore	I.A.C. and Pit-cured	„	Vattakappal; Vellaikappal; Soorikappal.
Pollachi	I.A.C.	„	Vedamugam and Thenmugam.
Ooty	I.A.C.	„	No local name.
<i>Kozhikode Division—</i>			
Cannanore	I.A.C.	Sparse cultivation.	Muruku Pugalai.
Mercara	I.A.C.	Mercara, Santicopa, Virajpet, Bethiangady, Puthur and Bellara Ranges.	Thimura Hogsoppu.
Mangalore	„	Whole Circle (Pallikarai and Hosdruqranges)	Chewing Rendam. Tharam.
<i>United States of Travancore-Cochin—</i>			
Trivandrum	Jaffna I.A.C.	Nagerkoil Range.	Chewing Vadakkan.

(e) Similarly, though it is well known that certain varieties of tobacco are, by virtue of their physical form, incapable of use in biris, they have been notified assessable at the lower rate only within specified areas. To quote instances, tobacco dust which is purely a by-product of processing of tobacco and contains very minute particles of tobacco, sand and silica, and is used for manufacture of Gudaku by admixture with molasses etc., in some areas, is not classified as incapable of use in biris in certain parts of Calcutta Collectorate.

It is stated that the reason for such omission is that such dust is not likely to be brought into that area, but difficulties are bound to arise if, in actual practice, the dust is brought into the Calcutta Collectorate. Similarly, in the same Collectorate, Rava tobacco is allowed assessment at the lower rate only in the Sambalpur Circle, while in all other Circles in the same Collectorate, it is liable to be assessed at the higher rate. In certain other cases also, where a particular variety of tobacco is not at all known to be used in biris, it is found that while its classification for assessment at the lower rate has been specified in certain areas, it has not been so done in certain other areas in the same Collectorate, and all this necessarily causes great confusion.

24. *The Zonal System*—(a) It was urged by several parties that due to the classification of varieties on the basis of prevalent consumption habits of the areas in which they are used, the trade in certain varieties has tended to shift from the higher rated areas to the lower rated areas. Several examples of these were cited before us. For example:—

(1) The Chewing Tobacco manufacturers of Banaras complained that because Guntur Chooru was assessed at the higher rate in that area while the same tobacco was allowed at the lower rate in Poona area, a profitable Chewing Tobacco industry has developed in the latter area at the cost of the Banaras manufacturers.

(2) The snuff manufacturers of Tiruchi urged that Manavari tobacco grown in their area is assessed at the higher rate in their area while in other areas near about Madras, the same tobacco is assessed at the lower rate. As a consequence, the snuff manufacturers in the latter area are enjoying an unfair advantage over the snuff manufacturers of Tiruchi.

(3) Similar representations were made in respect of Pindi Tobacco grown in the Hasan District of Mysore State. While tobacco produced in this area is assessable at the higher rate, the same tobacco produced in the neighbouring Sira area is notified assessable at the lower rate with the result that production of Pindi tobacco in Hasan District is suffering.

(4) Tobacco growers and traders of Gujerat complained that the inferior broken leaf grades were declared as capable of use in biris in most areas, while the same or closely similar tobacco grown from the same seed by cultivators from the same tracts and utilising the same know-how in the adjoining areas of Rajasthan was freely allowed assessment at the lower rate. This has resulted on the one hand in large accumulation of the produce in Gujerat and on the other hand a considerable increase of cultivation in Rajasthan areas, tobacco from which has more or less replaced the Gujerat Tobacco in some of their main markets.

(b) Another criticism of classification of specified varieties on the basis of consumption habits of specified areas was that it encouraged mal-practices and evasion of duty by smuggling of lower rated tobacco into areas where it was not allowed lower rated assessment. This criticism was

very forcibly made in Ajmer where practically all broken leaf grades are assessed at the higher rate but in the surrounding country-side many of these varieties are assessable freely at the lower rate. It was urged that locally grown tobacco of Rajasthan was cleared at the lower rate in centres hardly 8 miles away from the borders of Ajmer where it was not allowed lower-rated clearances, and it was very easy to smuggle such tobacco into Ajmer State.

(c) The scheme of classification of varieties according to capability of use on the basis of local consuming habits was designed to achieve as large an accuracy in the assessment *vis-a-vis* the local consuming habits of each area, as possible. It was also aimed at safeguarding the revenue from misuse of varieties which were normally assessed at the lower rate if its large scale misuse in biris started. The Notification and the Board's letter of July, 1951, prescribed that lower-rated classification of a variety on the basis of its prevalent local use should prevail over areas not smaller than a Central Excise Circle. Where, however, a variety of tobacco known to be used on a minor scale for biri-making was to be allowed lower rated assessment subject to effective treatment to render it unfit for biri making, such classification was to obtain over areas not smaller than a revenue district. This distinction was in itself defective in so far as the percentage of use of each variety is naturally conditioned by the size of the area and the incidence of tobacco consuming population in it. The size of a Central Excise Circle is fixed in relation to the volume of production and trade in tobacco in an area. These are considerations which have nothing in common with those that determine the size of a Revenue District. While some Central Excise Circles cover three or four or even more revenue districts, there are other areas where as many as half a dozen or more Circles have been set up in the same revenue district. Besides this, the manner in which areas have been selected for notifying specified varieties assessable at the lower rate are in some places even smaller than the limits laid down by the Board. In Bombay Collectorate, for example, a specified variety is notified assessable at the lower rate after effective treatment within a Central Excise Range consisting of a Taluk; over the rest of this district and in adjoining Ranges within the same Circle, this variety is treated more liberally and is allowed to be assessed at the lower rate freely. Similarly, in Allahabad Collectorate, while Guntur Choorā which has not been subjected to processing is allowed clearance at the lower rate after effective treatment in specified towns, it is not allowed to be cleared at the lower rate, in any circumstances, in the country-side outside the Municipal limits of these towns.

We feel that this manner of classification of specified varieties of tobacco on the basis of areas, inevitably causes considerable dissatisfaction in the minds of dealers in areas contiguous to those where its classification is different.

25. *Methods of ascertaining extent of use*—(a) It was urged that although the classification of varieties was ordered by the Collectors, their classification was actually based on the reports of their subordinate officers, who often did not make any searching investigations. Enquiries from Collectors elicited the reply that no accuracy in the figures of actual consumption of specified varieties in biri-making could be achieved and their decisions on classification were based on reports of subordinate officers who formed their own opinions on general appreciation of the trade and consumption habits, and at times in consultation with the trade.

While not disputing that consumption not exceeding 5% is a fair enough guide for classifying a variety as not used in biri-making and, therefore, assessable at the lower rate, and 5-25% consumption being theoretically, at any rate, a fair guide justifying treatment of tobacco to render it unfit for biri-making before allowing it to be assessed at the lower rate, we feel that there is force in the criticism that in formulating their classification orders, the Collectors have not proceeded according to any uniform and rational method for ascertaining actual consumption.

(b) It has also been urged that the classification of varieties is purely theoretical and that there is no practical method of determining the capability of various varieties of tobacco. Some witnesses went so far as to claim that practically any tobacco can be used in biris and even though in their own areas such varieties were not used in biris, they claimed that biris made out of any tobacco could compete with biris made out of superior biri grades at least for a time. Neither the Notification nor the letter No. 9/16-CXI-51, dated the 12th July, 1951, prescribed any method by which the calculations of percentages of use were to be made. Subordinate Officers had furnished their reports on the basis of previous records.

The general opinion of the Collectors of Central Excise is that any mathematical accuracy in percentages of use for different purposes of each variety is impracticable. There are several obvious reasons for this. Since the classification was initially done on the basis of the statistics collected during the period immediately preceding introduction of the capability criterion, varieties of tobacco whose off-take was, in that period, sub-normal, were bound to have been affected. Secondly, certain varieties which were normally received after admixture with other varieties could not possibly be classified correctly. After introduction of the capability tariff, the consumption pattern of various varieties became more or less rigid in so far as varieties which were classified for assessment at the higher rate could not be cleared at the lower rate under any circumstances and, even if such varieties were not used in biris on a major scale, the data, based on figures of actual past clearance, would not entitle them to any concession. Likewise, if any varieties were classified for assessment at the lower rate and were clandestinely used for the manufacture of biris, the extent of such use would not be available from any Central Excise records and such varieties would continue to enjoy an unfair concession unless the classification was arbitrarily changed. This aspect was forcibly brought to our notice in Rajasthan when different sections of the trade discussed the classification of the locally grown tobacco of Udaipur and Jodhpur areas. While one section claimed that about 80% of locally grown Akhazarda tobacco was used for biris, either openly or clandestinely, the other section claimed that not more than 3% of it was used in biris. The Central Excise authorities, who defended their classification of this tobacco as being negligibly used for biris, claimed that the classification was based on detailed investigations in which it was disclosed that the use of such tobacco for biris did not exceed 3%. They, however, admitted that the survey was based on official records and did not take into account the quantities of such tobacco used clandestinely in biris.

(c) A great drawback in the manner of classification of tobacco is that in cases of difference of opinion as to the classification of any specified variety, it is practically impossible to judge which of the two sides are correct, because both sides are usually able to advance equally convincing arguments. Classification of varieties of tobacco for assessment

involves grave responsibility in so far as mis-classification of a variety as assessable at the lower rate may cause serious loss of revenue. The tendency of Revenue Officers to be conservative is readily understandable and has perhaps been responsible for cases of continued hardship in certain areas, despite the trade's representations over long periods.

26. *Frequency of changes*—Para 4(xii) of Board's letter No. 9/16-CXI/51 dated the 12th July, 1951, prescribed that alterations and additions in the lists of varieties notified by the Collectors should not be made oftener than once in six months. A perusal of the orders issued and revised from time to time by the Collectors of Central Excise showed that during the last 5 years, the Bombay Collectorate issued no less than 5 completely revised lists of varieties while Delhi and Baroda Collectorates revised their lists 4 and 3 times respectively. In between such complete revision of lists, alterations and additions to the existing lists were ordered fairly frequently. The total number of occasions on which such alterations were ordered within a period of six months of each other, were as follows:—

Bombay	..	..	..	19
Delhi	..	..	..	15
Baroda	..	..	..	9
Nagpur	..	..	..	5
Calcutta	..	..	..	2
Allahabad	..	..	..	1

These frequent changes naturally created an element of uncertainty in the administration and, to persons holding considerable stocks of such tobacco, it would naturally have caused anxiety and hardship. They lend support also to the argument that notifying various varieties as assessable at the lower and higher rate proceeded on no firm basis.

We are of opinion that the dissatisfaction of the trade on this account is quite justified.

27. *Discretionary power*—The Calcutta Biri Merchants' Association urged that when any inferior variety of Tobacco was declared by the Collectors as capable of use in biris, this precluded its assessment at the lower rate, and obliged them to use it for manufacture of biris either by itself or in admixture with other good biri tobacco. They claimed that the discretionary power of classification entrusted to Collectors, therefore, led to a situation in which, unless the manufacturer preferred to suffer a loss, it became obligatory for him to utilise inferior grades for biri manufacture not merely resulting in an inferior biri being offered to the smoker, but also at the cost of manufacturers who used only quality tobacco in their biris. In this connection, the large biri manufacturing interests of Madhya Pradesh had also urged that if inferior grades of tobacco are used in biris either by themselves or in admixture with good tobacco, the keeping quality of biris is seriously affected. It was represented that while biris made out of good tobacco can be stored for several months without deterioration, biris made out of inferior tobacco will be spoiled within three or four months.

28. *Assessment based on description*—(a) Growers and merchants of the Nipani tract criticised the present system on the ground that rates of duty were prescribed for varieties specifically named in the notifications,

and the actual assessment was done by the subordinate officers with reference to the names on the documents without verifying the actual quality of tobacco. As an example, it was pointed out that if biri tobacco was mixed with Guntur Choorā and the mixture despatched to Poona, mis-described on the covering documents as Guntur Choorā, the consignment, although a good biri mixture, was allowed lower rated assessment in Poona under the Collector's notification. The growers and merchants also pointed out that such frauds could be readily perpetrated in collusion with the officers, without fear of detection.

(b) The Guntur Tobacco By-products Association urged that the present notifications prescribe assessment of tobacco on the basis of recorded description which caused very serious difficulties to the trade. As an instance, it was urged that Guntur Scrap tobacco was consigned to different parts of India, and although it was known by the same name in the area where it was produced, different local names were mentioned in Collectorate Notifications for purposes of assessment in different areas. If this tobacco was sent to U.P., it had to be described as "Scrap Choorā" by which name the Collector had notified it, while if sent to Bombay it has to be described as Guntur scrap. Without such appropriate description in the relevant areas the officers refused to allow its lower assessment.

(c) We also came across a similar instance in Ajmer, where the Snuff Manufacturers' Association, Beawar, produced before us a sample of Rawa tobacco which appeared to be incapable of use in biris by reason of its fineness. The sample on being shown to the Assistant Collector of Central Excise, Ajmer, was declared by him to be capable of use in biris while the same sample was, in the opinion of the Collector at Delhi, incapable of use in biris. This tobacco was held assessable at the higher rate on the ground that in the transport document it was described as "Rawal" tobacco while according to the Collector's notification, "Rawa" alone was assessable at the lower rate. This illustrates how the same tobacco may be subjected to discrimination in assessment merely because of variations in local terminology. In Rajasthan, the term Rawal denotes tobacco flakes; in Guntur area Rawa and Rawal are synonymous.

29. *Denaturation*—(a) In case of varieties which are capable of use in biris on a minor scale, assessment at the lower rate is being allowed subject to such treatment of the tobacco with various ingredients as would effectively render it unfit for use in biris. The Collector of Central Excise, Calcutta, explaining the scheme of denaturation said that in case of marginal varieties which are normally not allowed assessment at lower rate, this facility is extended to the trade on condition that tobacco will not be used for biris and that denaturation is a way of ensuring that the assurances of the trade in such cases are honoured.

(b) The various Collectors of Central Excise have prescribed different formulæ which are summarised below :—

S. No. (1)	Collectorate (2)	Methods of Denaturation prescribed (3)
1.	Allahabad	(1) By adding 1 1/2 lbs. colour dissolved in hot water with 2 lbs. gum for 1 Md. tobacco (For Khakri-Khutan). (2) For 1 Md. of V. F. C. Tobacco as in No. (1) above or half lb. colour, 1 lb. gum and 2 lbs. jaggery or 5 lbs. Jaggery.

(1)	(2)	(3)
2.	Baroda	(1) By dipping in 5 per cent jaggery in solution with water. (2) Triple saturation in 10 per cent of water at intervals of not less than 24 hours. (3) By adding not less than 80 per cent water and allowing the tobacco to ferment for 5 to 7 days. (4) By pounding or grinding the tobacco into fine powder. (5) By dipping in a solution of 1 1/2 lbs. of colour, 2 lbs. of gum dissolved in a sufficient quantity of hot water per 1 md. of tobacco. (6) By adding 1/2 lb. colour, 1 lb. gum and 2 lbs. jaggery dissolved in water for every maund of tobacco. (7) By adding 5 lbs. jaggery dissolved in water for every maund of tobacco.
3.	Bombay	(1) By adding 5 per cent colour, geru, spices, catechu or Essence.
4.	Delhi	(1) By adding 2 srs. gur, 2 1/2 srs. water for every maund of tobacco. (For Hooka, Chilam). (2) By adding 5 per cent distinctive coloured and flavoured water in 1 md. of tobacco. (For Chewing). (3) By adding 2 lbs. geru and 3 srs. water for every maund of tobacco. (For Snuff). (4) By adding 30 tolas of Mettalian yellow colour and 6 srs. water for 1 md. of tobacco. (5) By adding 40 tolas geru and 3 srs. water for 1 md. of tobacco. (6) By adding 2 srs. gur, 2 1/2 srs. water for 1 md. of tobacco. (7) By adding 5 srs. Molasses for 1 md. of tobacco.
5	Hyderabad	(1) By adding Pangri, clove, Cardamom, somph colour etc., individually or in combination. (For Zarda). (2) As in No. (1) of Baroda Collectorate for Hooka with 10 per cent water. (3) By adding 2 per cent lime in solution with 10 per cent water. (For Chewing Tobacco). (4) As in item (2) of Baroda Collectorate for Chutta and Cheroot.
6.	Madras	As in Nos. 1 and 2 for Baroda Collectorate.
7.	Nagpur	(1) By adding 5 per cent colour, geru, spices, catechu or essence.
8.	Patna	(1) By adding 33 per cent Molasses. (For Chillim). (2) By adding 2 per cent cloves or cardamom boiled in water. (For chewing).

This shows at once that no uniformity obtains as to the manner of treatment prescribed in different areas. Besides this, not all owners are allowed to avail of the facility of denaturation of their tobacco even if it is of the notified type. Thus, while Collectors of Central Excise, Bombay and Baroda have confined the concession of denaturation only to "established manufacturers of tobacco products" and the formula of denaturation is either the whole or a major part of the process commonly used for the manufacture of tobacco products, the term "denaturation" is more liberally interpreted in other areas and any licensee can avail of it for claiming lower-rated assessment of notified varieties.

(c) In all the evidence tendered before us there is hardly any support for the scheme of denaturation which has been criticised in varying degrees of severity by practically all sections of the trade. The main grounds for dissatisfaction against this scheme are :—

- (1) The Banaras trade opposed the scheme on the ground of its being impracticable and unfair. They urged that Guntur Choorā in unprocessed form was allowed clearance at the lower rate after denaturation, while in the processed state it was assessed at the higher rate. Guntur Choorā cleared in unprocessed form at the lower rate after denaturation had to be further processed for removing impurities before it could be further treated with other ingredients for manufacture of chewing tobacco. The double treatment, the first obligatory, and the second voluntary but nevertheless essential, added to their costs, besides spoiling the tobacco. Secondly, denaturation of tobacco intended for the manufacture of a particular type of tobacco products could only be done by using appropriate ingredients compatible with the product. Traders who were not themselves manufacturers, were ignorant of manufacturing formulæ. If they denatured tobacco using any formulæ prescribed by the Department, they often spoiled the quality of the tobacco for purposes of the actual manufacturer and found no purchasers.
- (2) The Calcutta trade criticised this scheme on the ground that denatured tobacco could not be stored for any length of time without rotting, and affecting not merely its own, but also the quality of other lots stored in its proximity. The Banaras trade also complained that Municipal authorities objected to the offensive smell given out by such tobacco.
- (3) The Calcutta trade also complained that denaturation required considerable space which, in cities like Calcutta, caused a lot of hardship.
- (4) In Patna, the Biri Manufacturers of Bihar Sharif complained that the formulæ prescribed by the Department enjoined the use of a proportion of molasses which rendered the tobacco useless for any purpose whatsoever.
- (5) In Rajasthan this scheme was particularly condemned. While one section of the trade urged that the addition of Gur and water prescribed by the department was totally ineffective, another section urged that the present formula spoiled the tobacco.

- (6) The worst criticism of this scheme has been that on the one hand this gives rise to malpractices when, in collusion with the staff, there is ineffective denaturation, on the other hand, the trade is harassed when officers insist on using larger quantities of denaturants than are prescribed to make the tobacco absolutely unfit for any purpose.
- (7) The consensus of opinion is that chewing, smoking and keeping qualities of denatured tobacco are seriously affected and this in turn affects its saleability, depressing the price. This decline in price, coming as it does in addition to expenses incurred on the cost of the ingredients, the supervision fee of Rs. 10/- per day, and on labour charges, hits the trade doubly hard.
- (8) In most areas the trade has shown complete indifference to the scheme of denaturation and has not availed of this facility.

The following table gives at a glance the quantities of tobacco cleared during the last two financial years at the lower rate after denaturation, and the percentage of such tobacco to the total tobacco cleared at the lower rate of duty :—

TABLE No. 8

Year		Quantity cleared at lower rate.	Quantity cleared after denaturation at lower rate.	Percentage
1954-55		286,990,000	3,099,559	1.08
1955-56		295,085,000	2,993,565	1.02

(d) This matter was referred to the Chief Chemist, Central Revenues Control Laboratory, and a copy of the reference made to him and his reply thereto are reproduced on pages 74—77.

30. (a) The departmental procedure for giving effect to the criterion of capability of use and the executive concession granted under letter No. 9/16-CX(1)/51, dated the 12th July, 1951 of the Central Board of Revenue have been criticised both on principle as well as in the manner in which the scheme has been and is being worked. They have not been fully effective in providing the relief they were intended to give, nor are they capable of fair and satisfactory implementation for the following reasons :—

- (i) Classification of varieties for purposes of assessment on the basis of percentage of use is not capable of objective implementation. This has consequently given scope for exercise of arbitrary discretion on the part of Collectors of Central Excise.
- (ii) The various Collectors of Central Excise have implemented the scheme more or less unilaterally and no determined efforts were made by the authorities concerned to ensure proper and effective liaison between them for a uniform implementation of the scheme.

- (iii) The minimum size of areas, within which varieties capable of use in the manufacture of biris on a negligible or minor scale are to be assessed at the lower rate has not been prescribed on any rational basis. In actual working, the size of these areas has been unduly curtailed.
- (iv) The natural conservatism of Collectors in the matter of classification has been responsible for cases of continued hardship, and no machinery seems to have been found practicable for the prompt and proper settlement of disputes in classification.

(b) The classification of varieties for purposes of assessment is, in many cases, neither rational, comprehensive nor easily understandable by the assessing officers or the assesseees. The classification, proceeding on no firm or objective basis is discriminatory in respect of geographical areas as well as in respect of certain varieties of tobacco. The same variety of tobacco is treated differently, for purposes of assessment, in different areas and there is, therefore, no uniformity in taxation. The frequent revision of classification of tobacco for purposes of assessment, in spite of the Board's directive to the contrary, has given rise to a degree of uncertainty which is undesirable. All this has given rise to trade uncertainty, trade malpractices and considerable hardship to the trade development, resulting in innumerable assessment disputes. It has also given rise to smuggling of tobacco from lower rated to higher rated areas.

(c) The scheme of denaturation cannot be satisfactorily applied, and the trade has not favoured it as an effective method of availing of the relief. Where denaturation is ineffective, it has given scope for misuse of tobacco; where it is effective, the value and saleability of the treated tobacco have been adversely affected. The Scheme has also given scope for corruption and harassment.

(d) The normal movement of lower rated varieties of tobacco from one market to another is greatly affected in cases where the tobacco has to move from one lower rated area to another similarly rated area through an intervening higher rated area. The system of adopting different nomenclatures in describing the same variety in different areas has also hampered free movement of lower rated tobacco generally.

COPY OF LETTER NO. ECT/32/56, DATED 20TH APRIL, 1956 FROM THE SECRETARY, TOBACCO EXPERT COMMITTEE TO THE CHIEF CHEMIST, CENTRAL REVENUES CONTROL LABORATORY, AGRICULTURAL RESEARCH INSTITUTE, PUSA ROAD, NEW DELHI.

"SUBJECT—Denaturation of tobacco for making it unfit for use in the manufacture of biri.

1. You are perhaps aware that the Government of India, has, in pursuance of the recommendations of the Taxation Enquiry Commission, appointed a Tobacco Expert Committee to go into the question of the present differential tariff on unmanufactured tobacco in detail and review the procedure adopted in the working of the criterion for assessment.

2. The Committee has issued a questionnaire to various trade associations, Chambers of Commerce and other interested parties for eliciting their views on this question and other allied matters. Two copies of the questionnaire are enclosed for your reference.

3. In pursuance of paragraph 5 of C.B.R. letter No. 9/16-CXI/51, dated 12-7-1951 appearing at pages 6 and 7 of the questionnaire, the varieties of tobacco which are used on a minor scale for the manufacture of biris are required to be effectively denatured to make them unfit for use in biris before these are assessed at the lower rate, i.e., -/6/- per lb. Some Collectors have prescribed denaturants for making the tobacco so unfit but the trade is generally opposed to effective denaturation of tobacco as it is alleged that this adversely affects the value and saleability of treated tobacco.

4. The Committee would like to explore the possibility of treating tobacco by some suitable agent which would make treated tobacco identifiable by visual or other simple physical tests without affecting its qualities or value. Its advantage to the administration will lie in easy detection of misuse of such treated tobacco in the manufacture of biris either by itself or by admixture with other untreated tobacco. I am to request you kindly to examine and advise whether suitable colouring or other agents conforming to the above requirements can be found, and to request your recommendations as to the quantities and manner of its application and the methods by which the presence of such agents could be established if mere visual examination alone would not suffice.

5. As the Committee is to start collecting oral evidence to elicit the opinion of various sections of the tobacco trade in India, early in June, it would be appreciated if your views could be furnished to the Committee by the 31st May, 1956."

COPY OF LETTER C. No. 26-Ex.O/56(Pt.I), DATED 30TH MAY, 1956
FROM THE CHIEF CHEMIST, CENTRAL REVENUES CONTROL LABORATORY
TO THE SECRETARY, EXPERT COMMITTEE ON TOBACCO, NEW DELHI.

"SUBJECT—*Denaturation of tobacco for making it unfit for use in the manufacture of biris.*

Please refer to your letter No. ECT-32/56, dated the 20th April, 1956 on the above subject.

2. The purely physical operation of 'denaturing' a liquid by another miscible liquid is an easy operation for one can accomplish thorough mixing and ensure that every drop contains the same amount of 'denaturant'. Denaturing a solid product is a very different proposition and is beset with numerous difficulties. Where the denaturant and the solid material to be denatured cannot be ground together the problem is even more difficult. During the last dozen years I have come across several samples of Hookah tobacco claimed to have been denatured with 5% of its weight of molasses, but where not even a qualitative test for molasses could be obtained. The party might have honestly poured a quantity of molasses on the top of a pile of tobacco but the molasses did not certainly mix with every leaf.

3. Tobacco is stored in big bags in the warehouses. The merchants are very particular that these bags should not be handled unnecessarily lest the leaves should get crumpled and suffer in sales-appeal and sales-value. In the circumstances I am doubtful whether they will be prepared to open out the bales and spread out the leaves in such a manner as to enable the denaturant to reach every bit of the leaves. *Denaturation of tobacco to the satisfaction of a conscientious revenue officer is impracticable.*

4. The next question is the choice of a 'denaturant'. 'Denaturant' ordinarily means a substance which would make a material completely unfit for human consumption. The problem which has been posed is different in that one has to find a substance which will make tobacco unfit for one method of (smoking as biris) human consumption but will still keep it unimpaired for all other methods of human consumption like chewing, manufacture of snuff etc.

5. A few years ago at Calcutta, some merchants very seriously argued with me that by the use of some common essential oils the tobacco would become unfit for smoking in the form of biris but will be suitable for making into scented, chewing tobacco. They supplied me with some samples of the treated tobacco as well as the essential oils. With the latter part of their proposition (namely that the tobacco was fit for chewing), I had no quarrel at all, but the treated tobacco was eminently smokeable and in fact, the bidis had a pleasant aroma. Apart from this, essential oils are costly and most of them evaporate off quickly leaving but a very faint odour.

6. I have carried out a few experiments spraying a thin slurry of lime (so as to give 5% lime on the weight of tobacco) on the tobacco and then air drying. The opinion of regular bidi-smokers who were given biris made of this 5% lime-treated-dried-tobacco was that it had become bad. At the same time, it was noticed that this treatment made the treated tobacco look black which would seriously detract from its sale-value and consequently will not be acceptable to merchants. A similar treatment to give 1% lime on the tobacco leaf also darkened the colour equally badly but *without any recognisable change in its fitness for smoking as bidis.*

7. In another experiment, a small quantity of tobacco was sprayed with refined ground-nut oil so that the oil formed 1% of the tobacco leaf. There was no marked change in appearance. This amount of oil would be ordinarily detectable in the laboratory and appears to have no effect on the fitness for chewing. The opinion of persons who were given the stuff for smoking as bidis was that it was unpleasant, quite naturally, because of the acrid fumes produced by partially burning vegetable oils. It looks a promising method. There is, however, one danger that the tobacco treated with oil may deteriorate on storage as the oil becomes rancid. Only long-term and large-scale experiments can prove or disprove the efficacy and suitability of this suggestion. The success (if suggestion proves satisfactory on large-scale trial) of the operation will be dependent on thoroughly incorporating the oil in every leaf and portion of leaf in a bag or dump etc. (See paras. 2 and 3).

8. Some years ago, spraying exempted tobacco (*i.e.* tobacco proposed not to be used for bidi making) with a thin slurry of starch and drying was attempted. This does not make the tobacco unfit for use in making bidis. At the most it is earmarking. I doubt whether the Government has the machinery to detect and prevent misuse.

9. The use of colouring matters, molasses etc. is not a satisfactory solution.

10. If any other suggestions for 'denaturation' have been received in reply to the questionnaire, I shall gladly give them a trial on a Laboratory scale."



CHAPTER V

SUGGESTIONS

31. Both in the written replies to the Questionnaire, and in oral evidence before us, different sections of the trade suggested various alternatives to the present construction of the excise tariff based on its capability of use in biris. As devising an alternative to the present tariff is an issue outside our terms of reference, these witnesses were informed that this Committee could not pursue their suggestions in making its recommendations but that a note would be taken of the various proposals. These are listed as follows :

(i) *Flat rate of duty*—The present capability tariff should be replaced by a flat-rate of duty on all tobacco other than Flue cured for whatever purpose it may be used. Some sections of the trade desired all forms of tobacco, other than stalks and dust, being assessed at a rate somewhere near the present biri rate. Others advocated a lower basic flat-rate of duty, coupled with a further duty on the manufactured biri in respect of which labelling or banderolling, in the manner now prescribed for Cigars or Cheroots, should be enforced. Yet others suggested two classifications—a higher rate for biri tobacco and a lower rate than at present for all other tobacco.

This suggestion has already been examined in its several aspects by the Taxation Enquiry Commission.

(ii) *Actual use*—Certain sections expressed a preference for retention of the older system on the basis of intention of use. Others put the same idea in suggesting that the rate to be applied should depend upon actual use. The latter proposal necessarily involves postponing the stage of assessment and collection of duty up to the last retailer or manufacturer, where the rate to be applied is to be determined according to the purpose for which a particular lot of tobacco is to be actually used.

Like the suggestion for a flat rate, this has also been covered by the Taxation Enquiry Commission.

(iii) *Qualitative Tariff*—The rate of duty should be related to the quality of the tobacco, the superior and higher priced varieties being assessed at correspondingly higher rate than lower priced varieties—in other words, some kind of *ad valorem* tariff.

This necessarily implies grading of the entire crop according to uniformly established and acknowledged standards of quality and value which is entirely absent at present. Under existing conditions no solution can be found along these lines. When a system of grading of unmanufactured tobacco has been introduced, this may provide a matter for further study.

(iv) *Ad valorem Tariff*—There should be a straight-forward *ad valorem* tariff. This despite the fact that the value of tobacco is liable to violent periodical fluctuations depending not only upon demand and supply but also due to the fact that there is quite a considerable volume of speculative trade in unmanufactured country-tobacco types.

This would necessarily imply that the same tobacco would become liable to varying imposts from time to time following fluctuations in prices due to over or under production, the age of the consignment etc. It is also well-worth remembering in this context that a very large part of the tobacco trade, especially at the stage when duty is actually assessed and paid, is now carried on between parties in producing and in consuming areas with long traditions of intimate knowledge of each other and often close family and other relationships. The trade in unmanufactured country types of tobacco is largely financed directly without intervention of any bank or other similar recognised methods of commercial transactions. Enforcement of an *ad valorem* tariff, in the peculiar circumstances in which the trade in these types of tobacco is carried on and financed, is going to present problems quite novel and almost certainly to the detriment of the revenue. Any such scheme may also place major producing centres in a more favourable position as prices in those areas are bound to be lower while the produce of areas in or near to large consuming centres, where the prices will be higher, may result in higher imposts on the same variety of tobacco according to the areas of production, thus presenting a new fruitful source of dissatisfaction.

(v) *Classification based on processed and unprocessed form*—Some witnesses suggested that the tariff should be so re-cast that, whole-leaf varieties, dust and Rawa should be assessed at a specifically low rate of duty, unprocessed tobacco should be assessed at a medium level, and processed biri grades should be assessed at a higher rate. Others suggested that within the present tariff all whole-leaf varieties and all unprocessed tobacco should be assessed at the lower rate, implying that only processed biri tobacco should be assessed at the higher rate.

Considering the large variety of degree of processing to which tobacco is subjected before marketing, any scheme relating the tariff to a particular process or stage in processing is likely to aggravate administrative problems while still leaving a large field open for controversy.

(vi) *Biri versus Hookah*—It was urged before the Committee that since 1943, when the differential tariff on tobacco was introduced, the consuming habits of the people have changed considerably and that the poorer classes have taken increasingly to the smoking of biris. The *per capita* income has risen from Rs. 246·9 in 1948-49 to 262·1 in 1954-55. The off-take of biri tobacco shows an increase from 105·5 million lbs. in 1950-51 to 152·3 million lbs. in 1955-56, while that of chewing and Hookah tobacco for the same years shows a fall from 260·2 million lbs. to 238·5 million lbs. It was, therefore, no longer necessary to continue to maintain a distinction, for purposes of the tax impost, between biri types of tobacco and others. Besides this, as all levels of consumers used all types of tobacco products, hooka and chewing habits being found among the more well-to-do sections of society and biri smoking among the poorer, there is no need to continue a specially higher rate of duty for biri tobacco and a substantially lower rate for hooka and chewing types.

We are not quite convinced with this somewhat facile argument. The marked rise in the off-take of biri tobacco in 1954-55 and 1955-56 was due, in fair measure, to the revenue concessions of 25 and 50 per cent given for biri tobacco from April, 1954, to December, 1955. The off-take of biri tobacco in 1952-53 and 1953-54 averaging at about 120 million lbs.

seems a more reliable index of the present needs of tobacco for biri-making. Increase of 46.8 million lbs. from the consumption in the previous quinquennium may reasonably be attributed to the increase in the *per capita* income, increase in population and changes in smoking preference due as often as not, to the general convenience of the biri over the hooka and chilam.

We do not, therefore, think that recent increase in off-take of tobacco at the biri-rate indicates any valid justification for a major re-orientation of tariff policy.



CHAPTER VI

RECOMMENDATIONS

32. Speaking generally, nothing short of a flat rate of duty on all tobacco appeared to be acceptable to the largest cross section of the trade and operatives examined. As already discussed, the biri interests advocated a flat rate of duty on all tobacco thus bringing the hooka, chewing etc., types on par with biri types for purposes of the tax. Those with interests predominating in hooka, chewing etc., types advocated a flat rate with a further tax on the manufactured biri. These aspects have already been examined by the Taxation Enquiry Commission, to whose conclusions attention has earlier been drawn.

33. As drawing up an alternative tariff structure was outside the terms of reference of the Committee, our attention was devoted chiefly to examining those suggestions which related to improved methods of classification for assessment within the present construction of the tariff with whatever drawbacks or merits were inherent in the tariff. Here, it must be said at the outset that no method of classification under the present tariff which will be completely objective, fair and accurate seems feasible in view of a total absence of standardisation either of grades of tobacco or grades of biri and the fact that many varieties of tobacco are used for both biri and non-biri purposes.

34. This is forcefully illustrated by the replies elicited to Question No. 21 in the Committee's Questionnaire which was:—

“What are the conditions which would make a particular variety or grade of a variety incapable of use in biri-making?”

Replies show a sharp cleavage of opinion. While, some maintain that biris can be made from any form of tobacco which can be made into flakes, others are equally definite that tobacco which has been spoilt in colour and flavour due to excess of moisture during storage, or is pulverised, is alone incapable of use in biris, yet others have opined that tobacco grown in saline soil or from irrigated fields is unfit for use in biris. Individual witnesses have mentioned the following types as incapable of use in biris:—

- (i) Frost bitten, immature or rust infected tobacco;
- (ii) Tobacco of the second or third crops;
- (iii) Virginia air and flue-cured tobacco.
- (iv) Tobacco treated with any of the following ingredients:—
 - (a) Lime, Katechu and colour;
 - (b) Clove water; and
 - (c) Water and Jaggery.
- (v) All tobacco unlike Manavari tobacco of Madras State;
- (vi) Discoloured tobacco;
- (vii) Tobacco which has no steady burning quality;
- (viii) Tobacco which has been in storage for over 2 years;
- (ix) Wet cured tobacco;
- (x) Tobacco with very thin and thick leaves; and
- (xi) Tobacco particles of extreme fineness like Rava and dust.

There has been no unanimous opinion even about these types. The same tobacco is used for different purposes in different parts of the country, and the same variety is often known by different names in different areas.

35. In view of the practical difficulties brought before us, we consider that, within the present tariff, the only workable and satisfactory method of classifying tobacco will be to prescribe standards readily identifiable, either visually or by other simple tests and manipulations, with a view to determine empirically what is capable and what is incapable of use in biris. The classification should be so made that it will be readily intelligible and observed by the several thousand officers of Central Excise who assess consignments of tobacco from day to day all over the country and it would also leave no room for any uncertainty about the rate applicable to any particular consignment of tobacco in the minds of the assesseees. It must, however, be recognised that whatever method of classification may finally be attempted, it will merely succeed in minimising the hardship of the trade on the one hand and the risk of revenue loss by incorrect assessment, collusively or otherwise, on the other hand. In the conditions which actually prevail, there can be no absolutely objective definition of capability, and no methods of classification can be devised which will be immune from criticism of varying intensity. In view of the fact that the same tobacco is used for different purposes in different parts of the country according to the prevalent consumption habits of different types of tobacco, any system of classification on a uniform basis for the whole of the Indian Union is bound to involve greater imposts on consumers of those areas where the prevalent custom is to consume a variety for chewing, snuff, hooka, cigar purposes while the same variety is used in other areas for biris. Nevertheless, the virtue in classification of this kind lies in the fact that the same quality of tobacco will bear the same duty in all areas, in whatever form it may be consumed. Likewise, there may be a certain amount of revenue risk in those areas where the prevalent habits are to use well-known chewing grades in the form of biris. Our attempt has been to devise a method of classification by which the higher incidence of duty on the consumer of hooka, chewing or snuff tobacco would be minimised, consistent with avoiding a windfall to the biri manufacturers who may use chewing and hooka types of tobacco in biri-making.

36. The only criterion about which there has been considerable agreement is the one relating to the physical form of tobacco as affecting its suitability for biri-making. In order that tobacco can be made into a biri, it must be so manipulated, preparatory to actual manufacture, that it is converted to the form of flakes suitable for rolling into biris. Without such treatment, if the particles of tobacco are finer, the biri will not burn properly and if coarser, it will be physically impossible to roll the tobacco in a leaf to make the biri. Apart from this, there are hardly any criteria of form, quality or grade which are equally definite or recognisable as standards indicating the capability of any tobacco for biri-making. It is on this reasoning only that such forms of tobacco as stalks and straight stems, fine powdery dust and Rawa are ruled out as incapable of use in biri-making. They are incapable solely because of their physical form and properties. We have, therefore, examined in some detail whether it will not be more satisfactory, or at any rate less unsatisfactory, to base classification of tobacco for assessment with reference to its physical form. This, despite the fact that there are certain types of chewing and hooka tobaccos which are not known to have

been thought of for biri-making although they are normally produced and marketed in physical forms resembling the normal biri types. Reference to these is made later in this report.

37. The first and fore-most point to be considered is whether such a classification could be operated with due regard to the safety of revenue without, at the same time, causing any excessive imposts on specified types of varieties. This question is closely linked with a discussion of the varieties which, by nature of their physical form, method of curing etc., are unsuitable for use in biris. Among these varieties, the following have been suggested by various witnesses:—

- (1) Rawa tobacco which, by reason of its fineness, is incapable of use in biris;
- (2) Stems, identifiable as such;
- (3) Tobacco dust;
- (4) Ratoon tobacco;
- (5) All varieties, in whatever physical form, of *Nicotiana Rustica* types of tobacco;
- (6) All varieties which have been in storage beyond a certain period (3 to 5 years);
- (7) Flake tobacco if denatured in such a way as to discolour it;
- (8) Wet cured tobacco of chewing, snuff and cigar types;
- (9) All tobacco cured in whole-leaf form.

(1) *Rawa Tobacco*—This tobacco is variously called “Ravo”, “Rawa”, “Rawal” etc., and is primarily a by-product of processing of tobacco for preparing biri flakes. It consists generally of fine flake, midribs etc. particles, varying in size from 1/16th to 1/24th of an inch. By virtue of its fineness, it is incapable of use in biris and is used either for smoking in chilum, for making snuff, or for manufacture of hooka smoking mixtures. There is no uniform or standard size of flakes to classify it as Rawa. In certain areas, flakes as big as 1/10th of an inch, are termed “Rawa” or “Rawal” and, while these are by themselves too small to be used in biris, they can be used by admixture with larger sized flakes. Some Collectors have already prescribed the maximum size of Rawa for purposes of assessment at lower rate e.g., 1/22 in. (Allahabad, Baroda and Delhi) and 1/16 in. (Bombay and Nagpur).

Although in most parts of the country, Rawa is regarded as incapable of use in biris, in Patna Collectorate it is allowed to be assessed at the lower rate only after denaturation. Hyderabad Collectorate orders were similar till, as a result of enquiries made by the Committee as to the reasons for this restriction, the Collector re-examined the question and has classified Rawa as assessable at the lower rate. In Calcutta Collectorate, this tobacco is allowed assessment at the lower rate only in Sambalpur Circle. Exclusion of the rest of the area in the notified lists normally makes it assessable at the higher rate. The Collector justified the exclusion on the ground that it is not used in other areas. If a warehouse owner should import it, a dispute as to the rate to be applied is certain.

In Bombay and Baroda Collectorates, only that Rawa which is a bona-fide by-product of processing is allowed assessment at lower rate, and not Rawa deliberately made by suitably manipulating other tobacco. Representations were made before us that this restriction is unwarranted and discriminatory. In Bombay, the restriction is imposed by a formal Notification; in Baroda Collectorate, it is imposed by executive orders.

We feel that there is no justification for restrictions in a few Collectorates relating to Rawa which do not obtain in other parts of the country. We are also of the opinion that Rawa tobacco no coarser than 1/16 in. mesh which, by reason of its fineness, is incapable of use in biris, should be freely assessed at the lower rate throughout India. No objection should also be taken to crushing the tobacco into "Rawa" of this size. If the owner thinks it can be marketed economically only in that form, there is no justification to prevent him from doing so.

(2) *Stems of Tobacco*—Stems of tobacco are generally the resultant of processing and are distinct from laminae, butts and stalks. These consist of midribs of tobacco leaves and are generally marketed. The separation of stems from leaf takes place both in the curers' premises and in warehouses. The coarser portions of stems are commonly not used for biris but the finer portions are crushed with wooden mallets, sieved to remove dust and stem Rawa etc., and the resultant small bits (Kandi, Zira Kandi etc.) mixed with biri flakes. The addition of stem bits to biri flakes is resorted to not merely for reasons of economy but it also helps to impart to biris a steadier burning quality besides affecting the aroma and pungency of the smoke. Not all stems of tobacco are thus manipulated into Kandi for use in biri mixtures, but only stems of well known biri types of tobacco.

The main reason why crushing of stems is done before payment of duty is that the operation of crushing yields considerable quantities of unsaleable stem rawa, dust and refuse. The entire quantity obtained after crushing cannot be used in biris. The proportion of crushed stem *i.e.*, Kandi to flake tobacco in biri mixture varies from 2.5 to 20 per cent, *i.e.*, in 1 Md. of biri flakes not more than 8 Srs. of crushed stems are added. It appears that the addition of any larger percentage of crushed stems to biri flakes would adversely affect the price and quality of the mixture. Crushing of stems yields, on an average, 25 to 50 per cent of crushed bits (Kandi) usable in biri mixtures, 30 to 40 per cent becomes useless either through mechanical loss during processing or by reduction to stem rawa or dust. The remaining quantity is the coarsest portions, unusable in biris and is sold, if at all, like stem dust and stem rawa, for hooka purposes at very nominal prices.

Although the foregoing factors regarding utilization of tobacco stems are common to the whole country, under Collectorate notifications, the treatment accorded to different forms of stems for purposes of assessment varies widely. In Patna Collectorate, stems of biri and V.F.C. varieties are assessable only after denaturation, while stems of all other varieties are assessable freely at the lower rate. No distinction is made between crushed and uncrushed stems. In Allahabad Collectorate, while crushed stems of biri and V.F.C. tobacco are assessable @ -/14/- per lb. all uncrushed stems are assessed at the lower rate. In Hyderabad Collectorate, stems of tobacco other than flue cured, and stem bits of V.F.C. not larger than 1/6 in., are allowed assessment at the lower rate. All other stems are assessable at the higher rate. In Baroda Collectorate, crushed or broken stems of

varieties commonly used for biris, except those of black and red tobacco, and known as "Kandi and Pansli" are assessable at biri rates. Stems, whether crushed or uncrushed, of all other varieties, (except of black and red tobacco), are assessable at the lower rate after denaturation. Stems of Black and Red tobacco in any form are allowed lower rated assessment. In Delhi Collectorate, crushed stems of Akha Zarda and Akha Sukho varieties are assessable at biri rates. Stems of all other varieties are freely assessable at the lower rate. In Bombay Collectorate, stems are freely allowed to be assessed at lower rate in certain Circles in processed as well as unprocessed form, while in the processed form this concession is confined to only 17 Circles. In Nagpur Collectorate, uncrushed stems are allowed lower rated assessment throughout the Collectorate while crushed stems are allowed lower rated assessment after denaturation.

We feel that uncrushed stems being incapable of use in biri-making should be allowed assessment freely at the lower rate. As for stems crushed before payment of duty, we feel that stems in the form of broken bits of size varying between $1/10$ in. to $\frac{1}{4}$ in. should be treated as capable of use in biri-making. If crushing of stems is carried through to the stage of $1/16$ in. or finer mesh *i.e.*, Stem Rava, it should be allowed assessment at the lower rate. Any crushing which may be resorted to after clearing whole stems at the lower rate for recovery of stems for biri use would cause a merely negligible risk to revenue.

(3) *Dust*—Dust tobacco is a by-product of processing and consists of very minute particles of tobacco, sand and silica. In most areas it is destroyed but in certain areas it is used for manufacture of Gudaku in admixture with molasses etc., and to a limited extent for snuff. Tobacco in this form is incapable of use in biris and is freely allowed lower rated assessment in most areas.

We are convinced that dust tobacco of all varieties is incapable of use in biris, and should be allowed assessment at the lower rate freely throughout India. Actually this directive is already contained in the C.B.R.'s letter of July, 1951, but as remarked elsewhere it has not been fully implemented.

Some witnesses in Patna and Delhi urged that since, in areas where dust is not destroyed, its only use is for the manufacture of Gudaku, even the lower rate of duty is excessive and manufacturers cheapen the manufactured product by mixing "Reh" or Saline earth. They maintained that "Reh" was harmful and, to discourage its use, the rate of duty on dust tobacco should be reduced to $-1/-$ per lb. so that tobacco dust may replace 'Reh' as a filler in Gudaku. Apart from the question of precise rates on one or more or any variety being outside our terms of reference, we cannot accept the validity of this argument, as addition of "Reh" in preparing hooka mixtures was common also prior to the imposition of duty on tobacco, not only to cheapen the product, but also to impart to it the desired burning quality. Howsoever low the rate of duty may be on dust tobacco, it will still be more expensive than "Reh". Besides this, tobacco dust is also used in certain areas for the manufacture of snuff after separation of foreign matter. We, therefore, do not feel that any case exists for according any preferential treatment to tobacco dust.

(4) *Ratoon*—This is of a poorer quality than the main crop. Generally, Ratoon tobacco is treated on par with tobacco of the main crop in the matter of its classification. Thus, ratoon of varieties which are allowed assessment at the lower rate is similarly assessed. Ratoon of biri types of Maharashtra and Gujerat commonly called Khakhri, Khunt, Khutan enjoys a certain amount of concession as regards the rate of assessment in comparison to the main crop. The main problem presented by the variety is that it is not easily distinguishable from tobacco of the main crop and is handy material for clandestine substitution.

Orders regulating assessment of ratoon crop of biri types of tobacco show wide disparity from Collectorate to Collectorate and even within the same Collectorate. This is evident from the summary of assessment orders at Table No. 5 at pages 50—57. Actually, there is little doubt that ratoon of a particular variety is used for the same purposes, either by itself, or in admixture with, the main crop. We, therefore, feel that ratoon of any variety should be assessed at the rate applicable to the same form of the main crop. If this should tend to discourage the harvesting of ratoon, it will probably be a healthy development as the quantities of such sub-standard grades will be reduced. On the other hand, Ratoon may well survive because of economy in its raising.

(5) *Nicotiana Rustica Tobacco*—Shri Ambalal F. Patel, Editor of 'Tobacco', Ahmedabad, suggested that this type of tobacco should be assessed at the lower rate as it is incapable of use in biris. He, however, qualified his remark by the admission that *Nicotiana Rustica* tobacco known as 'Pandharpuri' can be used, and is being used, in biris. The report on the Marketing of Tobacco in India (2nd Edition) also mentions that this tobacco is used for giving strength to biri mixtures. Rustica varieties of tobacco are generally not known to be used in biris, mainly for the reason that most of them are cured by the wet-curing method in whole-leaf form. When cured in broken leaf grades, this type is used in admixture with biri tobacco, like Pandharpuri tobacco, for imparting strength to biri mixtures. No generalisation on this matter is, therefore, possible and it cannot be asserted that all forms of this variety are incapable of use in Biris. Moreover, varieties of this tobacco which are cured without the addition of water in broken form, resemble biri tobacco, and if mixed with biri tobacco, cannot be easily distinguished.

For these reasons we do not feel that it would be correct to classify all *Nicotiana Rustica* varieties for assessment at the lower rate on the ground of incapability of use in biris.

(6) *Varieties which have been in storage beyond a certain number of years*—We feel that witnesses have generally exaggerated the effect of prolonged storage on tobacco grown in their own areas, while under-rating its effect on tobacco grown in other areas. Normally, a period of 3 to 5 years is stated to affect the quality of tobacco adversely, but there is no agreement on the point whether good biri tobacco, under conditions of ordinary care in storage, becomes incapable of use in biris merely due to ageing. Knowledgeable persons have stated that storage does not appreciably affect the quality of high grade unirrigated crop of biri tobacco which is properly cured and carefully stored. There, however, appears to be general agreement that irrigated crops of biri types are more liable to be spoiled by prolonged storage.

Witnesses who claimed that tobacco of their area was spoiled after a brief storage period of 2 to 3 years, have also pressed for an extension of the present warehousing period. It is difficult to understand the request for a longer storage period if prolonged storage really affects the quality of goods stored. If storage over a period of two to three years spoils the tobacco, there is no valid reason for anxiety to secure an extension of the period of warehousing.

Administratively, any special treatment of tobacco which has been in storage beyond specified periods would be fraught with danger to revenue, both because it may provide an incentive to holding back good quality tobacco stocks over long periods, thus increasing the risk of manipulations, substitutions and other malpractices, and because in actual practice it is very difficult to distinguish between old and new tobacco. During our examination of witnesses it has, in fact, been urged in almost all areas that the last revenue concessions for tobacco which had been in storage for some-time, had resulted in large scale substitution in almost all parts of the country where such stocks were held.

We, therefore, feel that there is no justification for holding that mere storage renders good biri types incapable of use in biris.

(7) *Denatured Tobacco*—We have already drawn attention earlier in the report to the opinion that denaturation is both impracticable and ineffective.

(8) *Chewing Tobacco*—Most well known chewing tobacco types are not known to be used for biris. It is, however, difficult to classify specified varieties as solely Chewing tobaccos, because many of these varieties are also used for making snuff and for Hookah purposes. Normally, however, most Chewing varieties are in whole-leaf form, and are cured by the addition of moisture. There are, however, certain varieties which are used, to some extent, for Chewing purposes as well as in biris, e.g., *Nicotiana Rustica* tobacco in broken-leaf form grown in Gujerat and Nipani areas.

No generalisation can, therefore, be made as to which varieties may be classified 'Chewing' varieties uniformly throughout India and assessable at the lower rate.

(9) *Varieties cured in whole-leaf form*—If tobacco is cured in whole-leaf form, the process of curing is not as rapid as for tobacco in broken leaf. In the former methods the leaves have to be tied in bundles, hanks or twists when they are in a sufficiently moist condition, and cured in heaps to prevent them from crumbling. The presence of adequate moisture is ensured either by preparing the leaves for curing when only in a semi-dried state or by allowing the leaves to absorb the moisture from the atmosphere at night or by addition of water during the curing process. The tobacco is then placed in heaps and covered with matting or gunny cloth or is buried in pits. Prolongation of the period of curing, thereby slowing down the rate of loss of moisture in green harvest until tobacco is fully cured, has several visible effects on the tobacco, besides tending to make it generally higher priced than dry cured types. The presence of moisture in a tightly packed mass of tobacco leaves causes fermentation which generates natural heat, affecting the final colour of the tobacco which turns dark, and the taste and smoke of which becomes much more pungent. The burning quality of the tobacco is also considerably affected. Tobacco cured in whole-leaf

form cannot be converted into flakes as readily as tobacco cured by the dry-curing methods, and although it is possible to prepare flakes out of tobacco cured in whole-leaf form, the process of conversion into flakes causes much higher proportions to crumble into dust, rawa and other unsaleable forms. The value of the resultant of processing is thus depressed.

38. *Present trends in classification of whole leaf varieties*—The treatment accorded to whole-leaf varieties in different Central Excise Collectorates for purposes of assessment shows, as summarised in Tables 5 to 7, that some whole-leaf types, despite the Central Board of Revenue's directive of July, 1951, are classed as capable of use in biri-making and, therefore, liable to duty at the higher rate. As so much controversy has centered around orders classifying some of the whole-leaf types for assessment, a somewhat detailed statement of the position will not be redundant :

- (i) In Baroda Collectorate, 'Muthia' whole-leaf cured in the form of leaf rolled and pressed into rounded ball shapes is classed as Biri tobacco.
- (ii) In Bombay Collectorate, Red Chopadia in whole-leaf form is allowed clearance at the lower rate throughout the Collectorate, except in Bombay H-Circle where it is so allowed only after denaturation. It was formerly being allowed assessment at the lower rate in whole-leaf form throughout the Bombay Collectorate, but recently its assessment at the lower rate has been restricted in the Bombay 'H' Circle as this tobacco was reported to be used in Biris. We understand that this change in classification is being questioned in a Court of Law.
- (iii) In Bombay Collectorate, distinction is made between the Black Patla and Black Chopadia varieties, though in the Baroda Collectorate, where these varieties are grown, no such distinction is made. Thus, in the Bombay Collectorate, Black Patla and Black Chopadia in their processed form are allowed assessment at the lower rate after denaturation in 1 and 8 Circles respectively and in their unprocessed broken leaf form in 2 and 6 Circles respectively. Their classification in other areas is not specified either because they are not reported to be used for biris at all or are used for biris on a major scale.
- (iv) In the same Collectorate, similarly, Pendhi tobacco of Sangli, Nipani and Jaysingpur in broken leaf form is allowed lower rated assessment after denaturation only in 3 Circles.
- (v) Chanchwa tobacco is another name for Black Patla variety of whole-leaf tobacco. In its processed form, it is allowed lower rated assessment after denaturation in one Circle of Bombay Collectorate.
- (vi) Gadia (or twist of whole-leaf) tobacco in broken form is allowed lower rated assessment after denaturation in Bombay Collectorate, except in three Circles, where it is freely assessed at the lower rate in all forms.
- (vii) Katta-Matta tobacco grown in the Hyderabad Collectorate was, till lately, being subjected to denaturation as a condition precedent to lower rated assessment. The trade had represented that during the curing process about 60% of water was added to

this variety and, therefore, this double denaturation was unnecessary. This variety was allowed assessment at the lower rate, without denaturation in 1956 after five years of dispute.

- (viii) Manavari tobacco grown in Madras Collectorate is assessed differently according to the area in which it is grown. If grown in Dharampuri, Salem and parts of Karur Central Excise Circles, it is allowed assessment at the lower rate after denaturation in Dharampuri, Salem and Trichy Central Excise Circles. The same tobacco if grown and/or consumed in other areas is treated as incapable of use in biris and allowed lower rated assessment freely. Strong representations were made before us against this classification and the consensus of opinion, including that of the State Marketing Officer, was that the main use of this variety is for snuff and cheroot purposes. The Collector of Central Excise, Madras, while defending his classification, acknowledged that in its whole-leaf form it was not capable of use in biris, but he said that after clearance it was used upto 25% in Biris in certain areas. As already remarked, there is no practical and correct method of calculating consumption percentages even approximately.
- (ix) Reference has elsewhere been made to different treatment accorded for assessment to Pindi tobacco of Mysore State grown in adjoining areas. While the produce of one such area is assessed at the higher rate, the produce of the adjoining area is assessed at the lower rate. It does not appear from the lists notified by the Collector that the practice has the sanction of law or that there is even any justification for this difference in rates.

39. *Wet cured tobacco*—Though, generally speaking, whole-leaf varieties are themselves not capable of use in biris, representations were made before us that wet-curing should be made an essential pre-requisite for classifying any whole-leaf variety for lower rated assessment, so as to prevent the possible misuse of whole-leaf tobacco for preparing biri flakes after payment of duty at the lower rate. This question is closely linked with the effect of moisture on the quality of tobacco for biri purposes. In most areas, among the formulae of denaturation, the addition of moisture is regarded as an effective 'denaturant'. Addition of water to tobacco does not affect the quality of the tobacco to the same extent if the moisture is evaporated quickly. It is only when the process of evaporation is controlled, and the period for curing prolonged, that the quality, flavour and the colour of tobacco are appreciably affected. While it is a fair assumption that the greater the percentage of such moisture, and the longer the period taken in its evaporation, the greater its effect on the tobacco making it unfit for biri use, the methods of curing vary largely from area to area, and from variety to variety, and the proportion of moisture added in curing is merely a matter of degree. We have seen samples of tobacco cured by the wet-curing method which appeared to have been cured with very light application of moisture. Though the All India Tobacco Conference was of opinion that it is easily possible to distinguish between wet-cured and other than wet-cured whole-leaf tobacco, other witnesses were not very definite on this point. One witness suggested that in cases of doubt, a reference could be made to the curer concerned. Other trade representatives stated that even those persons who have been in the tobacco trade for years were not infallible in judging the

quality of tobacco and, therefore, a classification based on wet or dry curing would create very serious administrative problems. All whole-leaf varieties are cured in the presence of more or less moisture, and no hard and fast rules can be laid down to distinguish between wet-cured and other than wet-cured varieties for classification purposes. In other words, all whole-leaf varieties are technically wet-cured. Moreover, if a distinction based on the presence of a certain percentage of moisture at the time of curing were to be made, we would have to define not only the percentage of such moisture, but also the stage at which the percentage of such moisture should be determined. These criteria would in practice be impossible to determine and, even if prescribed, it would administratively be impossible to verify their correctness. Malpractices by mis-description would be magnified considerably.

Admitting that the percentage of moisture in varieties cured in whole-leaf form can vary very widely, the next question that arises is whether varieties which are at present cured in broken leaf grades can also be cured in the whole-leaf form, without materially affecting their quality and value. Practically all the witnesses have categorically denied that such a manipulation is possible. It was urged that the form in which any tobacco is cured depends not only on the curing habits but also on the price and market demand. If any tobacco had to be cured in whole-leaf form with such little application of moisture as would not materially affect the quality and value of the tobacco, it could be so cured only by a quick drying process in which each leaf would have to be exposed to the air. Such tobacco on becoming dry, would become brittle and would crumble into flakes during handling or packing. It would also not be stored in whole-leaf form except in very small quantities, and the net result would be that unless the assessment of such tobacco was claimed by the curer himself, and that too in very small quantities, the tobacco would not retain its whole-leaf form for any length of time.

In case all whole-leaf varieties were classified for assessment at the lower rate, curing in this form may be attempted only for purposes of obtaining assessment at the lower rate. From the point of view of marketing, however, it would be unnatural and abnormal. Moreover, the extra time and labour involved would inflate the cost of the tobacco and reduce the margin of profit of the grower/curer.

40. *Whole-leaf varieties cured in bundles etc.*—Since the areas where tobacco is produced do not consume all their produce, and since it has to be sent to other areas for sale, it is necessary that it should be packed and transported. If whole-leaf tobacco is to maintain its form without crumbling during storage, packing and transport, it must, of necessity, initially be prepared in some kinds of bunches of leaves on being cured. It is also necessary that when such curing process starts the leaves should be sufficiently moist so that they may not break while the bundles are being prepared. Once moist tobacco is tied up in bundles etc., the process of loss of surplus moisture is automatically prolonged. In most whole-leaf varieties, curers aim at prolonging the period of curing in order to impart to the leaves the necessary pungency, colour, etc., on which depends the value of the tobacco. Such prolonged curing also imparts a certain degree of flexibility and increased hygroscopy to the tobacco leaves which reduces the crumbling of tobacco during packing, transport and handling.

41. *Chances of leakage of revenue*—(a) Opinion of witnesses has been divided on the effect of curing in whole leaf form in bundles, judies etc., on the fitness of tobacco for use in biris. Some representatives of large biri manufacturing interests said that while such tobacco will not be used in biris by established manufacturers because the keeping quality of biris manufactured out of such tobacco is seriously impaired, others with no established market for their biris might make biris out of these varieties for ready sale by hawking etc. Others representing comparable sector of the biri manufacturing industry opined that such varieties cannot be used in biris at all. An important grower of Biri Tobacco in Nagpur District, and trade representatives in Gujerat also said that whole-leaf varieties are not suitable for use in biris. Perhaps the strongest confirmation of this view is the fact that although several whole-leaf varieties have been assessed freely at the lower rate for the last several years, neither has the production of these varieties materially increased, nor is there any authentic information of any increasing use of these types in biri-making. In Nipani area, Pendhi tobacco, which is prepared in whole-leaf form by the wet-curing method out of biri grades of tobacco, is still produced on the same scale at which it was being produced in 1943 when the Excise duty on tobacco was first imposed. Although some witnesses of this area, with interests predominating in biri tobacco trade, urged that all varieties of tobacco should be assessed at the higher rate as any variety could be used in biris, they themselves could not explain why Pendhi tobacco is not being used in biris, even though it has been assessed at the lower rate during all these years. They could also not explain why the cultivation of this tobacco has been only about 2 per cent. of the entire tobacco produced in that area throughout this period. Although they claimed that biris made out of Pendhi tobacco tasted better than ordinary biris they could not explain why Pendhi tobacco was not at all used for biris in their area though they claimed that it was being used for biris in Bombay. Enquiry in Bombay showed that Pendhi tobacco is not used in biris.

We feel that the existing restrictions on the clearance of whole-leaf varieties in their broken grades in some areas are probably based on some such apprehensions, but even if they are used in biris such use is purely localised and on a small scale, because flakes of such varieties can only be used in biris by admixture with good biri tobacco. Among these varieties, particular mention has to be made of the Red Chopadia tobacco which is cured with a lesser addition of moisture as compared to other whole-leaf varieties like Black Patla or Black Chopadia. Even so, Red Chopadia tobacco is assessed in its unprocessed and whole-leaf form at the lower rate in all areas except in Bombay proper, where its classification has only recently been revised, and in five Circles of Baroda Collectorate.

(b) While the possibility of use of whole-leaf varieties after suitable manipulation for biri purposes cannot be altogether ruled out it has to be remembered that such tobacco can be used in biris only after conversion into graded flakes and, even thereafter, only by admixture with other tobacco on a small, localised scale. The processing of whole-leaf varieties for biri use presents several problems. Firstly, only superior grades of such varieties can be used, and their value is comparatively higher, sometimes higher than that of normal biri tobacco itself. Secondly, because of the manner of its curing, processing yields a smaller proportion of usable graded flakes than with normal biri grades, and produces higher yields of dust and stems, resulting in a heavier loss. This is besides the fact that dryage loss

in processing whole-leaf types into flakes is higher than with broken leaf grades. The benefits that a person may hope to obtain by misusing whole-leaf tobacco after clearance at the lower rate would be offset, *pro-tanto*, by the other losses and rather smaller proportion of the total that he can use in biris. Opinion has generally favoured the estimate that if whole-leaf tobacco cleared @ -/6/- per lb. is processed, the incidence of duty on the usable flakes will rise upto about 11 annas per lb. The margin of profit is, therefore, reduced considerably. Condition No. 3 of the Wholesale Dealers' Licence moreover lays him open to penal action in case of such misuse.

(c) It is not without interest here to recall the directive in the Board's letter of July, 1951 that all varieties of tobacco normally sold in whole-leaf form should be freely allowed lower rated assessment without any restrictions. Sufficient has been said to show that this directive has not been fully implemented.

(d) The proportion of usable flakes recoverable from tobacco cured in whole-leaf form has been variously estimated as 50% to 60%, although one Collector of Central Excise said that this percentage goes upto 80 even. We, however, feel that the estimate of recoverable flakes as given by the trade is more correct. The extra time and labour required for preparing tobacco in whole-leaf form adds to the cost of the tobacco considerably, so much so, that some varieties of whole-leaf tobacco are even costlier than good quality biri tobacco. As biris could be made, if at all, from only good quality whole-leaf tobacco after processing, the heavy depreciation in the value of the resultant is sufficient insurance against any large scale misuse of whole-leaf types for biri-making. This is besides the fact that no biris can be made from whole-leaf tobacco as such. Whole-leaf types are incapable of use in biris due to reasons of physical form in much the same way as dust and rawa are unusable for biri-making due to their fineness. Their misuse, if any, might occur after payment of duty, but it will be so small as to be negligible. We also think that there is hardly any risk of all biri tobacco being produced in whole-leaf form with consequent loss of revenue in any appreciable quantity.

42. *Advantages of classification based on physical form*—As already remarked, no particular basis of classification of tobacco for purposes of assessment under the existing tariff would satisfy all sections of the trade due to the inherent rivalry between manufacturers of biris and operators in other than biri varieties of tobacco. While the former have generally advocated a classification which would include the largest number of varieties for assessment at the higher rate, the latter react in a diametrically opposite way. Insistence on a flat rate of duty has come chiefly from biri manufacturing interests and representatives of wholesale dealers in higher rated varieties, some of them showing their willingness to bear even higher rates than at present. The suggestion to base the classification of varieties on the physical form of tobacco on the other hand received a fairly large volume of support as being a better alternative to the present methods for classification. The main grounds on which the suggested classification is preferred to the present system are:—

- (i) It will provide a uniform and stable basis of assessment, removing all uncertainty, which at present is a constant source of anxiety to the trade.
- (ii) The chances of leakage of revenue through misuse will be very considerably reduced, and the total revenue yield would improve.

Responsible official and non-official witnesses who supported classification of tobacco based on its physical form were of opinion that apart from the great simplification in the assessment of tobacco which would considerably reduce, if not altogether remove, disputes regarding assessment, the main advantage will be the plugging up of the loopholes through which leakage of revenue is occurring by classification under the present methods. Under the present scheme, if any variety is used in biri on a negligible scale such use is ignored and duty at the lower rate is assessed. Among these grades are not only most of the whole-leaf varieties but also several broken leaf grades of which considerable clandestine misuse is taking place. If the classification is based on the physical form of tobacco, all broken leaf grades will become assessable at the higher rate and leakage from these grades, which is at present occurring on a fairly large scale, will be completely stopped. They, therefore, preferred a broad based classification in which all whole-leaf varieties cured in the shape of bundles, *judies etc.*, should be freely allowed lower rated assessment.

The administrative benefits of a classification based on the physical form of tobacco are obvious. Under existing methods, preventive officers of the Central Excise Department have to divert a great deal of their time and energy towards detection and prevention of misuse of varieties, both whole-leaf and broken leaf grades, which are assessed at the lower rate. Under the suggested system, it would no longer be necessary to verify the actual use of any broken grades after payment of duty, as all such tobacco shall have already paid the higher rate. In respect of the lower rated whole-leaf varieties, it will be necessary, if at all, to keep an eye on the misuse of only the suspect varieties. This will not merely reduce the existing area of conflict between the trade and the administration, but also enable the existing machinery to devote its energy to more useful and, therefore, more effective prevention of leakage. The leakage of revenue from such classification, if at all, is bound to be on a much smaller scale than is at present occurring.

43. *Effect on inferior broken leaf grade*—Some witnesses objected to the suggested classification on the ground that inferior broken leaf grades which are already hard hit and survive with great difficulty under the present system, which allows them to be assessed at the lower rate, would be very greatly affected and their production might suffer seriously. Among those who urged this were the Collector of Central Excise, Calcutta, The Chamber of Commerce, Andhra and the Calcutta Biri Merchants' Association. The following varieties cured in broken leaf grades are at present allowed assessment at the lower rate in various areas and would become liable to assessment at the higher rate under the proposed scheme of classification:—

(i) Guntur Choorā;

(ii) Other broken leaf grades and discards of Murhan tobacco.

(i) *Guntur Choorā*—Guntur Choorā or Guntur Scrap is obtained during the processing and grading of Virginia Flue and Air-cured and Indian Air-cured tobaccos for Cigarette making and for export. It is known commonly as Guntur Choorā, Barn Choorā etc. The trade in Guntur calls this tobacco as rejected tobacco. The proportion of scrap to packed leaf and tobacco of which it is a by-product, is about 1/10th and it has been disposed of at very nominal prices at the place of production in the recent periods. Table No. 9 at page 94 shows the total quantity of flue and air-cured Guntur choorā, and its off-take, regionwise.

TABLE No. 9

Table Showing the Quantity of Flue and Air-cured Guntur Choor and its off-take by Regions.

Crop year	Quantity Produced In (lbs.)	Off take in each Central Excise Collectorate In (lbs.)							TOTAL
		Hyderabad	Madras	Bombay	Calcutta	Nagpur	Delhi	Allahabad	

All removals to centres outside the producing area are in bond. Bombay accounts for the largest annual off-take.

The classification of this tobacco under the present orders shows very wide differences. In its unprocessed form it is freely assessed at the lower rate in the whole of the Nagpur and Delhi Collectorates. Similar concession is extended to it in 15 Circles in the Bombay Collectorate; one Circle in Calcutta Collectorate and the entire area except 13 districts in Allahabad Central Excise Collectorate. In Baroda, Hyderabad, Madras and Shillong Collectorates no concession is given to this tobacco, while in Patna Collectorate its assessment at lower rate is allowed after denaturation.

In the processed form assessment of this tobacco at the lower rate is allowed only after effective denaturation in Patna, Delhi and Nagpur Collectorates. In Delhi Collectorate, however, in two Divisions, even processed Guntur Choorā is freely assessed at the lower rate without denaturation on the ground that there is no biri manufacture in this area. In Bombay Collectorate, its assessment at the lower rate is allowed after denaturation in Savantwadi Range only.

During our tour of the country several witnesses were questioned on the capability of this tobacco for use in biris. Witnesses at Ernakulam admitted that this tobacco was mainly used for biris and that they had no complaints regarding its assessment at the higher rate except that it should be uniformly assessed all over the country. The Biri Merchants' Association, Madras stated that this variety of tobacco was being smuggled in large quantities from the main producing areas and was mostly being used for preparation of biris by petty manufacturers. Important biri tobacco growing areas of Sangli, Nipani and Jaisingpur use this variety for blending with higher grades, stronger flavoured biri types grown in that region. The All India Tobacco Conference, Bombay affirmed that besides being mixed with standard biri tobacco under bond for preparation of cheaper blends, this tobacco was also being misused in biris after payment of duty at the lower rate. They were of the opinion that since Guntur Choorā is very cheap and is of light colour, and after admixture with biri flakes it is not possible to distinguish the two varieties, it is commonly used for such admixture to cheapen the blends. These witnesses were also of opinion that even if Guntur Choorā is assessed at the higher rate it will continue to be mixed with biri tobacco upto nearly 10 per cent. In other areas also, evidence indicated that this tobacco was capable of being used in biris though on a restricted scale. The Tobacco By-products Association, Guntur and the Indian Tobacco Association, Guntur urged that this tobacco was generally used for chewing and hookah purposes but about 5 per cent. of it was being used in biris. The Indian Chamber of Commerce, Guntur admitted that this tobacco was being admixed with biri tobacco. The Director of Agriculture, West Bengal was of the opinion that about 15 to 20 per cent. of Guntur Choorā was being misused in biris.

The following table shows the production and clearance of V.F.C. Guntur Scrap tobacco at the higher and lower rates during the last three years:—

TABLE No. 10

(In thousand lbs.)

Year	Quantity produced	Quantity cleared on payment of duty		
		@ -/14/-	@ -/6/-	TOTAL
1953-54	8,973	1,308	4,919	6,227
1954-55	6,738	1,042	3,741	4,783
1955-56	12,680	863	4,194	5,057
TOTAL	28,391	3,213	12,854	16,067
AVERAGE	9,464	1,071	4,285	5,356

About 11·3% of its total output and at least 20% of its total off-take is used for biri after payment of duty at the higher rate. Actually its consumption for biri purposes is greater than 20% as these figures are exclusive of those quantities which are blended with biri grades in bond. These are exclusive also of such quantities as are up-graded into biri use after payment of duty at the lower rate.

The Tobacco By-products Association, Guntur pleaded for special treatment being accorded to Guntur Choorā tobacco in the interests of Flue-cured tobacco industry as a whole. The Andhra Chamber of Commerce suggested a specially low rate for biri tobacco so as to stimulate the off-take of Guntur Choorā for biri making. In view of the fact that whole leaf varieties of flue-cured tobacco command very high prices, perhaps the highest in India for 'A' grade varieties, and in view of the fact that most of such tobacco is either exported or is used for the manufacture of cigarettes in India, the place of Guntur Scrap tobacco in the flue-cured industry is more or less analogous to, and on par with that of by-products of other tobacco in other parts of the country, like stems, rawa, dust, etc., with the difference that, while rawa, dust and stems, etc., are not capable of use in biri and are also not known to be so used, Guntur Choorā is not only capable of use in biri, but is also being so used in all parts of the country.

We do not, therefore, feel that any case is made out to show any preferential treatment to Guntur Choorā. It would, of course, be open to the trade to process it, if they so choose, into the form of Rawa to get the benefit of lower rated assessment as in the case of Rawa of other varieties.

(ii) *Other broken leaf grades and discards of Murhan tobacco.*—As regards other broken leaf grades produced locally in different parts of the country, and discards of Murhan tobacco, used almost exclusively for hookah or chewing purposes, some sections of the trade are of opinion that their cultivation will be seriously affected by adopting a classification based on the physical form. In order not to hamper the production and trade in these varieties, it has been suggested that special treatment should be accorded to these varieties in the form of a preferential rate. One Collector of Central Excise suggested that such varieties may be given relief by exemption Notifications under Rule 8 of the Central Excise Rules.

We are unable to share all these apprehensions. It would be open to the trade in the case of these varieties as in others, if they so desire, to process them into such forms as will attract the lower rated assessment.

44. *Basis of Classification proposed.*—(a) We, therefore, feel that Rawa not larger than 1/16 in. in size, including similar Rawa of stems and of all types of tobacco, dust and un-crushed stems are, by reason of their physical form, incapable of use in the manufacture of biris and should be allowed assessment at the lower rate, if presented for assessment in these forms. We also feel that all tobacco cured in whole-leaf form and tied in bundles, judies, pendhies, pindies, twists etc. and, indeed, in any form of packing in bunches of whole-leaf, rassa or rope form should be assessed at the lower rate, if presented for assessment in these forms. Since in the handling of these whole-leaf varieties, there is some accumulation of broken leaf incidental to packing and handling, these portions should also be assessed at the same rate as the bulk of the consignment. Varieties of tobacco in which the midribs are stripped but which are nevertheless cured in whole leaf form in the shape of bundles etc., are, in our opinion, not broken leaf grades. These varieties are mostly used for Cigars, Cheroots and Snuff, and should be treated on par with other whole leaf varieties mentioned above provided that after stripping the midrib from the leaf, the rest of the leaf is still intact.

(b) All broken leaf grades (except those mentioned in sub-para (a) above), and stems of tobacco smaller than 1/4 in. but larger than 1/16 in. should be classified as capable of use in biri making, and liable to assessment at the higher rate.

(c) In respect of broken leaf grades which will become liable to assessment at the higher rate under our proposed classification, relief should be provided by permitting any owner to convert his broken leaf tobacco into fine 'rawa' or dust in which form it will become physically unusable for biris. After such manipulation of the physical form, the resultant, if it fulfils the specifications for Rawa and Dust, may be allowed assessment at the lower rate.

45. *Effect of change.*—(a) Since tobacco is a bulky commodity, transport costs to consuming areas are an important factor in determining its price, which in turn determines its off-take. This is forcefully illustrated by Appendix XLVIII to the Report on the Marketing of Tobacco in India (Second Edition), which shows that areas where the soil and climate conditions favour the production of superior varieties of tobacco cannot, despite the superior quality of their produce, command the entire market of the country for these grades because locally grown tobacco of areas nearer consuming centres can sell at appreciably cheaper rates due to saving in transport costs. Classification for assessment of duty on the physical form of the tobacco will, therefore, mean that the impost on account of the duty remaining constant, various grades to tobacco will command different markets according to their inherent quality and price in each market. The suggested method of classification would, therefore, have a healthy effect on the cultivation of tobacco and while eliminating the inferior grades of tobacco, encourage the production of better varieties which will command a market solely on the basis of their quality and value.

(b) Our suggestion to base the classification of tobacco for purposes of the capability tariff on its physical form is aimed at securing a larger measure of uniformity in assessment of the same types in different areas, minor

variations in use for other purposes being ignored, and at laying down readily verifiable criteria for assessment so that the vast field of controversy now existing will be narrowed down quite considerably, if not eliminated altogether, thus removing day to day disputes. We have borne in mind at the same time the interests of the revenue from this large source. During the year 1955-56 the following quantities of tobacco (excluding tobacco for cigarettes, pipe mixtures and stalks) were cleared at the higher and lower rates yielding, under present rates, a revenue of about Rs. 24·63 crores:—

At higher rate	153 million lbs.
At lower rate	300 million lbs.

Under the classification proposed by us, the quantities eligible for clearance at the higher and lower rates, and the anticipated revenue are estimated as follows:—

At higher rate	237 million lbs.
At lower rate	216 million lbs.
Estimated revenue	Rs. 28·83 crores.

It would thus be seen that a substantial increase in revenue will result from the proposed classification. In actual practice the near total elimination of misuse of tobacco would be likely to improve the revenue receipts still further.

(c) It has been suggested by several witnesses that although a classification based on physical form of tobacco would be preferable to the present methods of classification, proper safeguards to revenue through misuse of whole leaf tobacco after clearance at the lower rate of duty would best be provided by a reduction in the present gap between the lower and the higher rated duties. It was urged that such a reduced margin would effectively discourage the processing of whole leaf varieties, as hardly any margin of profit would then be left. We would, therefore, recommend that Government may consider the feasibility of a reduction in the gap between the higher rated and lower rated duties. This would further reduce chances of misuse of whole leaf tobacco for manufacture into biris after payment of duty and would also give some relief to broken leaf grades.

CHAPTER VII

ESTIMATION AND ACCOUNTING OF TOBACCO CROP

46. *Centres of Cultivation*—The major varieties of tobacco produced in India are divided into two generic names, namely:—

- (i) *Nicotiana Rustica*, and
- (ii) *Nicotiana Tabacum*.

The former has got generally a thicker lamina, is slightly rounded at the apex while the latter is longer and has a pointed apex. It is not necessary here to go into chemical or physical composition of the various varieties produced. This subject has been dealt with exhaustively in the report on the Marketing of Tobacco in India under the series "Agricultural Marketing in India (Marketing Series No. 76)". Suffice it to say that the cultivation of tobacco in India is spread all over the country, often in small scattered holdings, though major producing centres are well-defined and are situated in a few areas in Gujerat, Maharashtra, Andhra and parts of U.P., Bihar, Madras and Bengal.

47. *Need for proper Control over Growing and Curing*—(a) Since the excise duty on tobacco is levied on the basis of its weight, it is of the utmost importance that all assessable tobacco produced in the country should be brought into the revenue net. Any tobacco which escapes the revenue net is sure to find a ready market, specially as the duty is often even higher than the value of the tobacco. Because of the comparatively high excise duty in relation to price, contraband tobacco enjoys a very great advantage over duty paid tobacco. Where tobacco escapes the duty the honest trader is placed at a considerable disadvantage.

(b) The danger from contraband tobacco is magnified in those areas where cultivation is scattered or is confined to small pockets situated within or close to large consuming or manufacturing areas. Here the detection of contraband traffic and consumption of tobacco without payment of the duty becomes increasingly more difficult. The methods of enforcing proper control over all tobacco produced in the country have been conditioned by the policy to minimise official interference with growers and curers who are often illiterate. The task of prevention of leakage of tobacco duty is further rendered difficult by the fact that there is complete freedom for everyone to grow tobacco in any holdings anywhere and the provision of the law that growers may retain free of duty sufficient Tobacco for their personal and domestic consumption.

48. *Extent of Leakage*—It is not possible to form any accurate estimate of the present extent of leakage. The evidence that has been tendered before us indicates that such leakage is occurring, and that the extent of leakage is much larger in sparse growing areas than in concentrated growing areas. In respect of Virginia tobacco which is mostly cured in whole-leaf form for cigarette manufacture, the danger of leakage is reduced by the very nature of the tobacco and the difficulty in converting it into a consumable form without adequate plant and machinery. In air-cured tobacco, however, the extent of leakage in Gujerat, Rajasthan, parts

of North Bihar and Kurnool, was often alleged to be as high as 50% of the crop. Collectors of Central Excise are all of the view that growers/curers generally under-declare their produce, the extent of such under-declaration being variously estimated at 20% to 25% of the produce. Inadequacy of the present methods and the need for greater control on tobacco growing was urged before us both by responsible revenue officers and trade associations.

49 *Control over Growers*—(a) Leakage of revenue from locally grown tobacco may occur at different stages of its production. The earliest stage at which the foundation of such a leakage could be laid is in the matter of declaration of land by growers. This is generally done by not declaring some or all the several plots in which tobacco is planted. Departmental instructions lay down that the Inspectors of Central Excise should visit each growing village at the commencement of the growing season and register all growers and, thereafter, verify their lists with State revenue records, and check-measure 10% of the plots registered by them and keep notes of the condition of crop. Similar checks are to be made by supervisory officers.

(b) For sparse growing areas a scheme for simplified control is operative under which villages growing tobacco in small scattered holdings are classified into three categories in order of their importance from the point of view of cultivation of tobacco. Excise Officers draw up programmes of work before commencement of the growing season. Villages which are more important from the revenue point of view are paid prior attention and villages in which tobacco is grown chiefly for personal consumption of the growers are visited last.

(c) In certain hilly and jungle areas, growing tobacco in small holdings for the producer's domestic consumption, a scheme of total exemption from registration of local cultivation and control of locally grown tobacco is also in force.

(d) A special scheme which aims at improved control over tobacco cultivation is operating in certain parts of Western U.P. and Rajasthan under which the registration of growers has to be completed within a notified time and growers who fail to register themselves within this period are not permitted to grow tobacco. The registration is to be done by the local revenue official *e.g.*, the Lekhpal, on payment of a fee of six annas in Rajasthan and annas eight per grower in U.P., as a recompense for his labour. A list of growers registered by local revenue officials is to be forwarded to the Inspector of Central Excise concerned for conducting crop survey, area measurement etc., and subsequent accounting of the crop for purposes of levy of the duty. The estimates of cured produce are to be made by the Central Excise officer in presence not merely of the producer but also of the local village officials and notables like the 'pradhan' of the village Panchayat. This scheme was designed firstly to ensure complete registration of all tobacco cultivation in the notified areas and, secondly, to reduce the disputes about the yield to be accounted for. It was hoped that with the participation of local revenue authorities a marked improvement in the control over growing of tobacco and fuller revenue collection could be achieved. These expectations have not been fulfilled and this scheme has been reported to be a complete failure in all the areas where it has been applied.

Witnesses from Agra complained that under this scheme, leakage of revenue has increased considerably as cultivators are not registered fully

either by the Lekhpals or the Central Excise officers. The Collector of Central Excise, Allahabad, has reported that the scheme of registration by the Lekhpals has been an utter failure, primarily due to their non-availability and pre-occupation with their own work. While the growers feel that the fee which they are required to pay for registration is excessive, the Lekhpals regard it as inadequate re-compense for the extra work they have to do. The Collector of Central Excise, Delhi has criticised the scheme on more or less similar grounds.

50. *Suggestions for Improvement of Control over Growers*—(a) The Collector of Central Excise, Delhi, urged that the present practice of registering each grower in sparse growing areas should be relaxed and that persons who grew tobacco in areas not exceeding 10 cents for their personal or domestic consumption should not be registered at all. He was of opinion that some of the villages required repeated visits because some petty grower or other could not be contacted on the first visit of the Inspector. The exclusion of such petty cultivators would, in certain areas, reduce the non-productive work load on officers, and this saving could be utilised fruitfully in exercising closer control over larger growers whose produce enters commerce.

The suggestion is an extension of the scheme of total exemption in hilly and jungle areas to other sparse growing areas. As a safeguard against possible leakage through non-registration of growers on a commercial scale, the Collector suggested augmentation of preventive checks on such growers.

We feel that steps along these lines are worth a trial, having due regard in fixing limits of cultivation to be exempted, to the yields of tobacco per acre.

(b) Under departmental orders, the accuracy of the annual return of quantity of cured tobacco produced by growers and curers is tested by the Central Excise officer with reference to his record of the condition of the crop, the yield of the grower/curer in the previous season, the yields declared by other growers/curers in the same village, and crop-cutting experiments etc. In this connection it has been suggested to us in several areas that the grower/curer's initial declaration under rules 15-16 of the quantity likely to be produced does not serve any useful purpose, because in many cases such declaration is given at a time when tobacco is still to be replanted or if it is replanted, the plants are so small that no accurate estimation is possible. It was also urged that if the final yield differed materially from this initial declaration the growers/curers were needlessly taken to task and harassed. The officers of the Central Excise department in the areas where this allegation was made denied that the initial declaration was made the basis of levying a charge of duty on the final produce, and explained that such initial declaration is intended to be given on the basis of normal expectations. Without it, no estimates of the quantity likely to be produced could be formed.

(c) Some of the witnesses suggested that a better scheme would be to register the growers at a time when the crop was sufficiently mature so that the grower's declaration would not only be more accurate but Excise Officers could also inspect the condition of the crop at the time of registration. While this suggestion is rationally correct, and aims at increased crop survey, several difficulties preclude the implementation of

this scheme. Although periods of harvesting of tobacco in different areas are more or less known, certain climatic factors such as dearth of water etc., may necessitate harvesting earlier than usual. Again, since the present field staff can register all growers with some difficulty even if they commence registration with the planting of tobacco, it would be impossible to ensure full registration of growers if the work of registration was to commence later than it does now without a substantial increase of staff. Another danger would be that if registration is postponed till the crop is mature, no time would be left after completion of registration to verify that no undeclared cultivation is left. Similarly, the supervisory and preventive staff will have practically no chance of checking the thoroughness or accuracy of the work done by the subordinate field staff. Indeed, many of the Collectors have emphasised the importance of timely and proper registration and some of them have even laid down time schedules within which this work must be completed.

While we agree that the present practice of commencing registration work early in the transplanting season and of prescribing time-schedules is necessary to ensure as full registration of cultivation as possible, the importance of an accurate and extensive crop survey cannot be over emphasised because the correctness of the yield declared by the curer can only be checked with reference to the area in which it was planted and a correct estimation of the crop condition and its potential yield.

(d) Verification of departmental lists of cultivators and areas grown by each with revenue records, has, in practice, proved neither specially useful nor always possible. Figures recorded by revenue authorities were complained of as not always accurate, especially in respect of smaller holdings. Besides this, they are often not ready in time and are obtained after the tobacco has been harvested. In such cases, discrepancies in the two sets of figures cannot be reconciled by spot-inspection. Another practical difficulty felt is that the term "grower" has a different connotation under the Central Excise Law from that under the State Revenue Law. The name of the actual grower of tobacco does not necessarily figure in the State Revenue records. This is all the more frequently noticeable in permanently settled areas. A suggestion was received by us from the Indian Central Tobacco Committee to revise the Central Excise definition of the term "Grower" by excluding the words "or by tenants" in Rule 2 sub-rule (vii) of the Central Excise Rules, 1944 with a view to ensuring that the legitimate owner of the plot will be regarded as the grower of tobacco in case of disputes.

We are of opinion that since the Central Excise Rules lay certain inalienable obligations on persons who actually grow tobacco, the present definition of the term "grower" does not require any amendment. There is a case also, in our view, for relaxing somewhat the requirement of the Central Excise officer verifying his lists of cultivators and area under cultivation with State Revenue records.

(e) As regards the manner in which the crop condition is noted by the Central Excise Officer, some witnesses complained that official estimates are made generally with reference to the better portions of the crop and are not representative of the whole crop. Several witnesses also urged that when tobacco is damaged due to natural occurrences, Excise Officers do not keep full notes and estimates of the extent of damage. It was

urged that such occurrences are quite common, and the only way to form an estimate of the extent of damage is by spot inspections. Some witnesses suggested that the Excise Officials should note down their estimates of crop condition on the curing licences so that the curer may know exactly what entries have been made in the official records. One witness from North Bihar suggested that each grower should be supplied with pass-books in which entries of crop conditions, area measurements, etc., should be made by the excise officers and attested by growers. The Collector of Central Excise, Shillong has, indeed, already introduced a similar scheme. Under the existing procedure, the condition of crop is noted in a Survey Book which remains with the Inspector of Central Excise, and while this is a public record, the entries showing condition of the crop noted by the officers are not required to be attested by growers with the result that they remain ignorant of it.

We feel that there is some force in the argument that growers should know the official estimate of their crop condition. We would go a step further and recommend that when such crop condition is noted the entries should not only be attested by the Excise Officers but also by the grower and some other respectable member of the village Panchayat or by the local revenue official, who may be available. We would also recommend that the manner in which the crop condition is to be noted should be prescribed in some detail so that a uniform practice is followed. At present, no uniform procedure is followed and no other particulars are noted except vague remarks as "good", "bad", "fair" etc., or in some areas the condition of the crop expressed in annas per rupee; sixteen annas being the equivalent of normal average expectation. We feel that there is need also for prescribing fuller instructions about the various factors to be taken into account in arriving at an estimate of yield from standing crops. The suggestion for introduction of grower/curers Pass-Books deserves a trial.

(f) We are informed that measuring tapes are not generally supplied to the Excise staff for measuring area and that various expedients are employed such as ready reckoners, which give the area of a plot on the basis of number of plants and the distance between each. The use of twine and strings is also quite common. While in areas where tobacco is cultivated systematically for commerce, the use of ready reckoners is quite useful, in other areas it is necessary that standard and accurate measuring devices should be employed.

We, therefore, recommend that measuring tapes should be provided in areas where ready reckoners cannot be usefully employed. As regards the extent to which crop estimations should be done, some Collectors have suggested that this should be done in 50% of the plots. We also feel that while it should normally be sufficient to test-measure 10% of the plots under cultivation for verifying correctness of areas declared under tobacco plantation, this proportion needs to be substantially raised for noting estimates of yield so as to provide a more rational basis for dealing with cases of evasion of duty. We also consider that the scale of checks by supervisory officers needs to be similarly enhanced.

51. *Crop-cutting Experiments*—It has been urged in several areas that estimation of yield is a very difficult task and even experienced officers are liable to make wrong estimates. It was, therefore, necessary to supplement the estimates based on visual surveys by conducting crop-cutting

experiments. The Economic Botanist, Ferozepore, particularly mentioned that in some areas such estimation was based on the yield expected from one single Plant. He and several other witnesses including the Director of Agriculture, Nagpur and witnesses from Bihar were of opinion that the best way would be to conduct crop-cutting experiments in selected plots. Different methods for conducting the experiments were advocated stressing the need for conducting the experiments in collaboration with village revenue officials, growers and the village Panchayats in order to infuse confidence among the producers. Some witnesses suggested that immediately after the tobacco of a plot was harvested and dried, it should be weighed. The drawback of such a scheme would be that the grower may not produce the entire quantity for weighment.

There is a scheme for conducting crop-cutting experiments based on a random basis. A measured area is marked out in the selected plot and kept under observation throughout the period preceding harvest to ensure that the tobacco plants are not tampered with. The crop is then harvested in the presence of the Excise Officers and the green weight of the harvest ascertained. The producer is left free to cure the tobacco according to the prevailing techniques, and when the curing is complete the cured weight of the tobacco is ascertained by the Excise Officer. Since there is a correlation between the green weight and the cured weight of each variety of tobacco, the chances of pilferage of experimental harvest, before its weighment after completion of curing, are considerably minimised. We feel that such a scheme for crop-cutting experiments is eminently satisfactory. We find that though this scheme is introduced in some areas, it is not followed uniformly all over the country, and even where it is tried, the experiments are not conducted on a wide enough scale. It would, in our opinion, be profitable to implement this scheme in all areas. It is understood that similar experiments are conducted by the Indian Council of Agricultural Research with a view to assessing the production of tobacco for the country as a whole. It may be profitable if the benefit of this data is also availed of to compare and co-ordinate the data collected departmentally. We wish to stress that though crop-cutting experiments may give a general idea of the average yield of an area, a detailed and comprehensive scheme of crop survey is the only way to ensure protection of revenue from under-declaration by individuals.

52. *Control over curers*—The second stage at which leakage of revenue could occur is after the crop has been harvested. In reply to the questionnaire as also during oral enquiry, not only most of the Collectors of Central Excise but also other witnesses stressed the need for greater control on tobacco immediately after harvesting. The tendency of curers to under-estimate and under-declare their produce is reported to be on the increase, especially in sparse growing areas, due probably to the successful evasions of the past. Under-estimation may, in some cases, be due to ignorance and inadvertence and some witnesses have, in fact, complained of undue harshness with which such cases are dealt with. It has, however, been urged that in most cases under-estimation is fraudulent.

53. *Suggestions for Improving Control over Curers*.—(a) It was suggested to us that to check leakage of revenue by clandestine disposal of tobacco after curing, the weight of the tobacco should be ascertained by actual weighment as early after completion of curing as possible.

Stress was thus laid not only on early completion of this work but also on the actual weighment of the produce. Under the present departmental orders, only the produce of 25% of the growers is actually weighed by the Inspectors of Central Excise and percentage verification of this work is again done by supervisory officers. As regards weighment of the produce, the replies to the main and supplementary Questionnaires and the evidence tendered before us show that the curer gives his declaration of the quantities cured either by estimation or by weighment, or on the basis of *pro-rata* calculation based on the weighment of a part of the produce. The replies also indicate that in many cases, the Excise staff do not weigh the entire produce but only a part of it. In some cases, specially in North Bihar, veiled allegations were made that although there was no actual weighment done, record is manipulated collusively to show that weighment was actually done.

The stage at which weighment is done differs from area to area and in some places, specially in Bengal, weighment is done after the onset of the Monsoons. Commenting on this problem, most of the Collectors of Central Excise are of opinion that the present prescribed methods for ensuring the correctness of the annual returns of curers are inadequate due, in many cases, to unmanageable jurisdictions. Suggestions have been made not only by most Collectors of Central Excise but also by several other witnesses that Government should supply weighing scales to the Excise staff so that the produce of curers could be weighed as speedily and on as large a scale as possible. At present, scales are not generally provided to the Excise staff with the result that in smaller growing villages, where no weighment facilities are available, it is not possible to weigh the produce of curers. It has also been urged by some witnesses that the use of weighing scales available locally gives very unreliable results and may either cause hardship to curers or result in loss of revenue.

As assessment of tobacco has to be based on its actual weight which calls for some accuracy in the weighment, and it may not be possible to provide accurate yet portable weighing appliances to all field officers, we feel that some kind of easily portable spring balance which can weigh packages of tobacco with even a moderate degree of accuracy should be provided to each Central Excise officer who takes account of crop cured as this will result in far more correct accounting of the crop than any methods of estimation.

(b) Some Collectors have also suggested that the present practice of weighing the produce of only 25% of the curers should be materially raised, and have suggested weighment of the produce of each curer. Extended weighment of crop produce is no doubt desirable in the public interest, but the scale at which curer's produce should be weighed has to be very carefully determined keeping in view the question of administrative costs and the feasibility of any such scheme.

As conditions differ from area to area, no general recommendation on this point can be made. We, however, feel that in case of tobacco produce in bundles, hanks, twists, etc., or tobacco in packages of more or less uniform size, the entire produce of a curer need not be weighed but ascertained on the basis of *pro-rata* weighment. The time thus saved should be utilized to extend such *pro-rata* weighment of the produce of larger number of curers than is prescribed at present. For tobacco in

broken leaf form and stored loose, a suggestion has been made for volumetric conversion of a mass of tobacco into its weight equivalent. We understand that this scheme is being tried in Bihar and Bengal. This method of computation of weight is not new and is commonly employed for measuring salt heaps. Its main advantage is the speed with which the approximate weight of a large mass can be ascertained. We, however, do not know how far this scheme has been successful and would suggest that experiments should be conducted and if the results are satisfactory, it should be introduced for estimating the produce of the larger curers. In this context, the allegation was made by a few curer's representatives that repeated handling of cured tobacco, for weighment or other purposes, adversely affects its quality. While the force of this argument is not denied, we do not feel that weighment, such as is now prescribed, involves excessive handling.

(c) We do not think that the present system requiring weighment of produce of 25% of the curers is either adequate or rational. The object of ascertaining cured produce is safety of the revenue. The greater the quantities involved in estimation errors, the greater the effect on the revenue.

We suggest, therefore, that the existing procedure may be replaced by a system under which the scale of weighment of the produce should progressively increase with increasing size of the crop of individual curer. We would also commend the suggestion that record of weighments done should be witnessed not only by the grower and the officer but also by respectable independent witnesses from the village to obviate chances of dispute. Scales of checks by supervising officers may similarly be enhanced.

54. *Measures for dealing with cases of under-declaration.*—(a) A study of the departmental instructions as well as executive orders issued by the various Collectors shows that fairly comprehensive orders have been issued for ensuring better control on the growing and curing of tobacco, and for proper verification at each stage. Though great emphasis is laid on the timely and proper registration of land and collection of annual return, etc., the same emphasis is not laid on ensuring that the actual yield is correctly ascertained. Very little concrete data was available on any firm methods adopted for dealing with cases of proved under-declarations. At present the correctness of the annual return of curers is checked by weighment and by comparison with the yield of the neighbouring villages, the yield of other curers in the same village, and the yield of the curers concerned in the previous season. No uniform methods are followed regarding the action to be taken in cases of marked under-declaration. In reply to question No. 11 of the Supplementary Questionnaire it is noticed that departmental action is taken against growers and curers in cases of proved under-declarations by some of the Collectors. In Calcutta, Patna, Shillong, Bombay, Madras, Delhi and Baroda Collectorates, for example, detailed investigations are conducted on the basis of results of crop survey, average yield of the area etc., and the matter is then reported to superior officers for adjudication. Witnesses in Rajasthan deplored the leniency with which curers who under-declare their produce are dealt with. Suggestions were made not only in Rajasthan but also elsewhere that severe action against such offenders should be taken. Such

a course would not be practicable unless the quantities of tobacco which have not been declared could be recovered or unless the results of crop survey were duly authenticated, not only by the Excise officers but also by the growers and independent witnesses.

(b) This aspect of excise control is one of the most difficult to tackle, because although in law the curer is required to give a true return of the total quantity cured, in actual practice this annual return is merely of the quantity of tobacco found with the curer at the time of the Excise officer's visit. In cases where a considerable interval elapses between the completion of curing and the visit of the excise officer, the quantity which has been consumed or clandestinely disposed of does not appear in the annual return and escapes the revenue net.

We, therefore, feel that the first step towards an improvement in fuller excise control on tobacco produced would be to ensure as speedy collection of annual returns as possible. To achieve this some Collectors have suggested deployment of temporary extra staff during the curing season. While we agree that this may be useful, we feel that the officer in regular charge of an area should attend to the major part of this work as the work of temporarily deployed staff is likely to suffer from lack of care. This must necessarily include a review of the work load in individual officers' charges and increasing the number of officers where the work load is unduly heavy.

(c) To ensure correct annual returns, the best course appears to be to bind the curer to it by means of very comprehensive crop surveys duly attested by other witnesses so that in case of default this data could be used against him effectively. The present practice of persuading curers who have under-declared their yield to give correct returns is the line of least resistance and is liable, besides, to result in considerable abuse of power, corruption and malpractices. We would, therefore, stress the need for evolving a more satisfactory basis for dealing with such cases.

55. *Personal consumption allowance.*—The allowance of duty-free tobacco for the growers' personal and domestic needs under Rule 20 of the Central Excise Rules is given at different scales in different areas and Collectors of Central Excise have restricted the quantity permissible to what would suffice for the grower. It varies between 40 lbs. and 100 lbs. in different Collectorates. In sparse growing areas, the relatively small proportion of whole-sale dealers is an indication that tobacco allowed duty free to growers is used not only by themselves but also suffices for neighbours, employees and as gifts to visiting friends and guests. Witnesses in Rajasthan stated that the personal consumption allowance provided a fruitful source of leakage of revenue and a part if not the whole of the allowance was stated to be sold clandestinely and even used in the manufacture of biris. As against complaints of misuse made by some witnesses others, notably in Bihar and Guntur, complained that the allowance given is very inadequate. Some witnesses have claimed that the average consumption per head per annum would be 12 lbs., and taking the size of an average family as 4 tobacco consumers, the allowance should not be less than 50 lbs. Persons who have urged for larger quantities have done so on the ground that farm labourers and guests and visitors should also be entitled to duty-free tobacco. Under the present orders, however, servants and visitors are excluded from this concession and we feel that such exclusion is in order.

The main dissatisfaction regarding the scheme of allowance for personal consumption appears to be on the ground that the allowance differs from area to area. In the former Andhra State up to 99 lbs. was allowed but in the adjoining former Hyderabad State the allowance was only 60 lbs. We feel that this is not a serious problem and in areas where misuse is found reduction of the quantity admissible now is the appropriate remedy. In certain areas of Bihar and Andhra States where it was urged that Excise officers did not actually allow any tobacco for personal consumption, the complaint did not appear to be general. Moreover, we understand that the Government has lately issued pamphlets publicising this concession.

In very sparse growing areas which hardly grow any assessable tobacco, liberalization of this allowance would, in a way, be economical in so far as considerable waste of time, money and energy which are now spent on the collection of petty amounts, would be obviated. We, however, feel that such liberalization should not be granted in small localised cases but should be as broad-based as possible, so that feelings of discrimination may not be aroused in the neighbouring areas.

56. *Suggestion for stricter control*—Several other suggestions have been made before us for improving control on growing and curing generally. These are :—

- (1) Rule 37 should contain a penal provision to ensure correct declaration.
- (2) The provisions in Rules 15, 16, 36, and 37 of the Central Excise Rules which enjoin upon Inspectors of Central Excise to visit small growers and curers to record their declarations and annual returns should not be mandatory but may be enjoined by issue of executive orders to Central Excise staff. (This suggestion is aimed at fixing the responsibility of growers and curers who, at present, do not come forward to register themselves on the plea that the Central Excise officers do not visit them).
- (3) Excise duty on tobacco lying with curers should not be allowed to remain in arrears because this encourages clandestine disposal and accumulation of arrears.

57. (a) In view of Section 37 of the Central Excise & Salt Act, the amendment suggested to Rule 37 presents difficulties of a legal character. Moreover, under-declaration can be dealt with adequately without such specific addition.

(b) As to the second suggestion, we are informed that the correct interpretation of the existing provisions is that the grower/curer is responsible for making the declarations under these Rules. The provision regarding smaller operatives giving their declarations orally to the officer who visits them is merely permissive. In other words, if the officer should fail to visit them, they are nonetheless obliged to make their declarations. If this is correct, then these Rules need no amendment.

(c) As regards the third suggestion, enquiries show that the number of demands of duty falling into arrear had risen steadily from 1,36,369 in 1951-52 to 2,40,952 in 1955-56. The amount involved in these demands also rose from Rs. 62 lacs to Rs. 102 lacs. This amounts to approximately 52.6% of the total collections made in 1955-56 on direct assessments at curers' promises. These figures indicate the seriousness of the problem. While

we hope that the available methods of recovery would be pursued with energy, the need for preventing any further deterioration is imperative. To this end we would recommend the adoption of special sanctions against persons who habitually default payment of the duty. Such persons, in our opinion, should not be allowed unrestricted opportunities to engage in any operations connected with the production of tobacco.

As far as we are able to judge, the scheme of the Central Excise & Salt Act and Rules, 1944, and the Government of India's executive and administrative instructions, all require that duty must be paid on all tobacco before it passes into consumption. If the scheme worked properly, there should be no arrears of duty to be collected except in the relatively few cases of classification disputes, or of tobacco remaining unaccounted for in warehouses, curers' bonded store-rooms etc. The fact that there are such sizeable arrears of revenue demand of direct assessment at curers' premises, many of them owing for several years, indicates that the general scheme of administration has failed, at least in those areas where the arrears are heavy. Provisions of rules also require that no tobacco can be removed from curing premises without adequate cover of a transport document. Where there are such large arrears owing for several years, it is obvious that the system of transport control has also failed. This, in our view, is a very serious situation in which the provisions of a major taxing statute are violated on such an extensive scale almost with complete immunity. We commend for the Government's earnest consideration the need for devising ways and means to achieve stricter control in areas where substantial arrears have accumulated.

58. *Staffing*.—Among the several difficulties and reasons which are responsible for the present inadequate control over growing and curing of tobacco, the present heavy charges of Inspectors and supervisory staff have been urged before us by most official and non-official witnesses. It was explained that the clerical and other work of Inspectors is so heavy that they are unable to exercise as close a control over tobacco production as is necessary or prescribed. In Nipani area the complaint was that Inspectors did not spend adequate time in villages and proper inspection of the crop was not done. In North Bihar and some parts of Madras State it was alleged that Inspectors do not visit many of the villages to which they send their Sepoys for survey, check-measurement, etc. The growers' under-declarations are, therefore, common, causing serious loss of revenue on the one hand, and unfair competition to the honest operators on the other. In Rajasthan the complaint was that Inspectors do not check their whole area to ensure that all tobacco grown is registered. Some Collectors have stated that the main cause of leakage of revenue is the inadequacy of the staff; officers cannot get to the curers in proper time and the curers take advantage of this delay in disposing of some of their produce clandestinely. It was, therefore, suggested that—

- (a) jurisdictions of officers should be so demarcated that adequate control can be exercised over all tobacco produced;
- (b) preventive activity should be intensified and extended; and
- (c) jurisdictions of supervisory staff should be made smaller to enable them to exercise effective control and supervision over the work of their subordinates.

We commend these suggestions for the Government's consideration.

59. *Equipment.*—We have elsewhere referred to the need for supply of weighing and measuring appliances. Witnesses practically from all parts of the country and all sections both official and non-official urged before us the imperative need of providing transport to officers to enable them to go into the interior. Lack of communications to the interior areas coupled with the generally extensive jurisdictions results in inadequate control and supervision, and usually such supervision as is exercised is confined to road-side places or easily accessible centres.

We feel that there is considerable force in this, and that provision of jeeps to supervisory officers in areas of high revenue potential will result in better and closer supervision, improve revenue control, and give greater confidence to the trade. Side by side transport must also be provided to primary workers who have jurisdictions extending over large territories or unusually difficult terrain.

60. *General.*—(a) *Storage in curers' premises.*—Among matters connected with the growing and curing of tobacco, difficulties pertaining to curers' premises and Curer's Bonded Store-rooms were raised by some witnesses. Collectors have prescribed time-limits within which curers must dispose of tobacco after curing. These limits allow generally a period of 8 to 12 weeks for marketing and are in relaxation of Rule 24 which requires disposal of tobacco immediately after it is cured. The purpose of the relaxation is to enable curers to dispose of their produce as favourably as possible without being compelled to make distress sales. Those who are unable to dispose of their produce within the time allowed are permitted to store the tobacco in their own premises after completion of simple formalities of ascertaining the quantity of tobacco left and execution of a bond on stamped paper.

Various suggestions were made for increasing these time limits till the next crop came in and some went further and wanted 2 to 3 years. Witnesses who urged an extension of period of storage in curer's premises expressed reluctance to take out a Curer's Bonded Store-room licence or to send their tobacco to warehouses, complaining of the formalities required in taking out a Curer's Bonded Store-room licence as irksome and of the tendency of warehouse owners to exploit them. As against this, some witnesses advocated compulsory bonding in warehouses of all tobacco cured as soon as it became ready, and that it must not be allowed to remain with curers at all.

(b) On the issue of the period allowed before a curer must finally dispose of his tobacco in accordance with Rule 24, we found that the dissatisfaction was confined to a few areas on account of unduly short time limits now available for late maturing varieties. Speaking generally, we feel that 2 to 3 months after curing is quite adequate for a curer to finally account for his produce. We suggest that Collectors may be advised to review their present orders and ensure that this period is actually allowed for all types of tobacco produced.

(c) As for the plea made by some witnesses that a curer must be required to part with his tobacco immediately after curing, we are unable to see any merit in it. The matter was also brought before the Taxation Enquiry Commission who stated as follows:—

“As indicated earlier, the Central Excise Rules do require that the tobacco should be cleared on payment of duty or by transfer to a private or public bonded warehouse immediately after curing.

There is, however, a provision permitting growers to retain their crop up to the thirtieth day of June in the year following that in which it was harvested, on obtaining a licence for a curer's bonded store room. The object of this provision is to safeguard the interests of the growers and it enables them to look for an opportunity of getting good prices. We do not support the suggestion for withdrawing this facility because it would throw the growers at the mercy of the merchants."

(d) *Storage in Curers Bonded Store-rooms.*—The main difficulties placed before us related to execution of bonds which were required to be executed on stamped papers obtainable only from Revenue Treasuries or Sub-treasuries. The expenses involved in purchasing stamp paper and in getting the bond typed or written were reported to be about Rs. 3 to Rs. 4, whereas the actual value of the stamp and of the licence fee totalled only Re. 1. It was, therefore, urged that either the requirement of bond should be given up, or bonds allowed to be executed on printed forms without any stamps.

Witnesses also urged that the permissible period for storage in Curers Bonded Store-rooms should be extended, the proposals varying from 9 months to 2 or 3 years extension, on the ground that at times curers could not sell their tobacco at remunerative prices for such long periods. Limitation under Rule 27 obliged them to sell it to warehouse owners at a loss. Some Collectors favoured liberalisation only for varieties which were cured by the wet curing method, which took longer than for dry cured types. A suggestion was also made by some witnesses that the time limit under Rule 27 should be allowed to be extended by Collectors.

(e) The time limit under Rule 27 permits storage of tobacco placed in a Curers Bonded Store-room upto 30th June following the year of harvest. Except in the case of a few late maturing varieties, this allows, therefore, a period of some 12 months or more. In other words, a curer gets altogether 15 months or more after his crop is ready before he is called upon to pay the duty. At any time during this period, he is at liberty to transfer his liability by selling his goods to a warehouse owner. We feel that this is quite adequate time limit. We learn, however, that due to abnormal conditions in recent years, extensions of this period became necessary and were also allowed, but this necessitated the prior approval of the Govt. of India as the extension was an extra-legal concession.

We recommend that the Government may examine the desirability of amending Rule 27, so as to allow storage in Curer's Bonded Store-rooms upto the 31st December instead of the 30th June. We do not favour any general extension of such longer time limit but recommend that power for extending this limit may be allowed to the Collector as in the case of tobacco in warehouses. Administrative instructions may also be issued so that local officers are empowered to extend the storage period for mitigating hardship in individual cases.

(f) As for the difficulties in execution of B. 4A Bonds, arguments urged by the witnesses are weighty. We learn that Government of India have recently issued orders dispensing with the need for these bonds.

(g) *Marketing of Tobacco.*—Considerable interest was shown by witnesses in most areas of the country for improving the methods of marketing so that growers may be assured of an equitable price for the tobacco

produced by them. The Director of Agriculture, Andhra State, claimed that in the marketing of Virginia Flue-cured tobacco, the grower actually got only 1/18th of the consumer's price of tobacco. In North Bihar, the common grievance of representatives of growers was that warehouse owners exploited the growers by taking advantage of the provisions of the Central Excise Rules, whereby growers cannot keep their tobacco with them indefinitely, and thereby purchasing tobacco at very nominal prices. It was also urged that payments were delayed considerably and if cash transactions were agreed upon, these were subject to heavy discount. Rule 172 of the Central Excise Rules, which permitted warehouse owners to stock tobacco belonging to others on the basis of credit purchases or on commission basis, was urged to be responsible for such exploitation. In Sangli and in Calcutta, witnesses urged the necessity of introducing the Regulated Markets Act under which open auctions of tobacco and cash settlement of the purchase price would be assured to growers. Several witnesses also urged the need for improving the quality of tobacco produced and urged compulsory grading.

These subjects are out-side our terms of reference and we are, therefore, unable to make any comments on them except in regard to Rule 172 of the Central Excise Rules. This Rule should really help curers by enabling them to dispose of their tobacco through warehouse owners on commission basis, and it is unfortunate that in North Bihar the tendencies complained of should have developed. However, a possible remedy would be the introduction of co-operative warehousing schemes which, we understand, are being tried in some of the areas. This matter, however, concerns the various State Governments.

(h) *Miscellaneous*.—Several other problems and difficulties were urged before us, and where these were of purely local interest, we brought them to the notice of the Collectors of Central Excise. Among such points, difficulties in the matter of grant of concessions for transporting tobacco from curers premises by motor vehicles under T.P. 3 certificates were referred to in Rajasthan, Andhra and parts of Bombay States particularly. It was urged that since such permission can only be granted by Collectors of Central Excise, it could not be granted speedily so that in many cases, the marketing season was almost over by the time such permission came. A suggestion was made that this power should be delegated to Assistant Collectors of Central Excise. We understand that such a delegation has since been made.

(i) In Andhra, Virginia Flue-cured tobacco is either exported or purchased by large Cigarette Factories where it remains under constant Excise control. It was, therefore, urged that control on the growing, curing and movement of such tobacco could be greatly relaxed without any revenue risk. While we feel that there is some truth in this argument, we cannot overlook the allegation made in Madras that about 10 truck-loads of Virginia Flue-cured tobacco from the main producing areas was being smuggled into Madras each month. This is besides the fact that a series of transport and warehousing procedural concessions are already in force for V.F.C. tobacco which are not permitted for other types. The present procedures are generally suitable. The increased scale of checks and verification we have earlier urged need not be extended to Virginia Flue-cured Tobacco.

CHAPTER VIII

LOSSES IN STORAGE, TRANSIT ETC.

61. *Powers of Officers.*—Under the existing orders, claims for immunity from the duty on losses occurring in non-duty paid tobacco are determined by officers of different grades in accordance with the following limitations on their powers:—

Sl. No.	Grade of Officer	Percentage and monetary limits on power of condonation	Limits up which duty may be demanded
1	2	3	4
1.	Insp. of C.E.	Upto 3% provided the duty on the total deficiency does not exceed Rs. 100/-	—
2.	Dy. Supdt. of C.E.	Upto 5% provided the duty on the total deficiency does not exceed Rs. 200/-	—
3.	Supdt. of C.E.	Upto 10% provided the duty on the total deficiency does not exceed Rs. 500/-	Rs. 250/-
4.	Asstt. Collr. of C.E.	Upto 30% provided the duty on the total deficiency does not exceed Rs. 4,000/-	Rs. 2,000/-
5.	Dy. Collector of C.E.	Above 30% provided the duty on the total deficiency does not exceed Rs. 10,000/-	Rs. 5,000/-
6.	Collector of C.E.	Without percentage or monetary limits.	Upto the statutory limits.

62. *Main grievances.*—(a) Inspectors and Deputy Superintendents of Central Excise can only condone losses which are within their powers; they cannot demand duty or impose penalty on losses which they are not prepared to admit. Some witnesses in Gujerat and Delhi urged that powers of Inspectors to condone losses should be increased to ensure on the spot and quick disposal of loss claims. They also urged that due to the monetary limitations on the powers of Inspectors, losses occurring in large consignments and in varieties which showed greater susceptibility to changes in weather conditions had all to be referred to higher officers, because even though the percentage of loss may be less than three, the amount of duty involved exceeded their powers of condonation. This not only caused considerable delay in disposal of loss cases but also caused vexation to licensees who were required to submit their explanations repeatedly to officers at different levels. Being called upon to explain losses occurring obviously due to natural causes offended the dignity of owners.

(b) It was also urged that the manner in which loss cases were adjudicated left much to be desired. In Gujerat, witnesses stated that officers did not take into consideration the various factors responsible for losses. Even if the data before them was inadequate, they still decided the cases without calling for the necessary particulars. The trade complained that Excise Officers were unduly rigid and arbitrary in adjudication of loss claims and were generally tied down to schedules of admissible losses prescribed by their higher officers. An instance of this was cited in Coimbatore of a case where out of a total deficiency of 2.75% of the goods, 2.50% was condoned and duty charged on the rest. In that area, it was also commonly urged that although experimental data showed higher losses, losses actually condoned were much less. The Assistant Collector of Central Excise, Coimbatore admitted that this was so.

(c) Witnesses in Gujerat complained that since there was no time limit for decision of loss cases, Excise Officers had now taken up cases even as old as 10 years and were demanding duty on such losses. As the relative tobacco lots were disposed of years ago, any duty demand now is to be borne entirely by the warehouse owners. They suggested that a time bar of 2 years should, in such cases, be made applicable. This complaint was not made in other areas and it appears to be the outcome of administrative inadequacy in the earlier years.

We, however, hope that Government would take adequate administrative steps to ensure that such extra-ordinary delays do not take place.

(d) The trade in Gujerat also complained that loss claims were not examined objectively. As an example, it was urged that demands for duty on losses in storage of whole-leaf varieties normally tied in bundles, judies etc. are made on the presumption that the deficiency is due to pilferage even though the number of bundles or judies remains the same and is fully accounted for.

We feel that in cases of such varieties if account is maintained showing both the number of judies, bundles etc., and weight, the cases can be speedily decided to the satisfaction of the trade and without loss of revenue. This would, however, be feasible only for varieties handled in an unpacked state. A correct count will otherwise be impracticable.

(e) Witnesses in Guntur were severely critical of the practice of not condoning in full, variations in weight of V.F.C. tobacco in storage and transit. They pointed out that the method of packing of cigarette tobacco being what it is, unless whole packages are found missing, all variations in weight in storage and in transit must be attributed to natural causes. They point out, with apparent justification, that it is not possible to pilfer tobacco from pressed bales or cases into which all V.F.C. tobacco intended for export or sale to cigarette manufacturers is packed.

In any case, there was no justification in charging duty on losses in bond which were not accepted as satisfactorily accounted for, at the highest of the several rates applicable to Virginia Flue Cured tobacco used in Cigarette making. Orders in two cases were cited where, although the number of packages was fully accounted for, the deficiency was not wholly condoned. The orders were maintained in appeals and revision. In one case, the demand for duty was maintained @ Rs. 7/8/-, and in another case reduced to Re. 1/- per lb. It was argued, again with obvious justification, that all

cigarette manufactures are under close excise control and all imported tobacco is under equally strict, if not stricter customs control, so that even where V.F.C. tobacco is pilfered, it is not at all likely that it can find its way into clandestine cigarette manufacture without being brought to account and charged to the proper rate of duty. The Collector of Central Excise, Hyderabad, shared this view.

We feel that unless it can be clearly established that deficiencies in pressed bales of V.F.C. tobacco are due to pilferage, variations in weight, other things being equal, should ordinarily be fully condoned. Where pilferage is found, the demand for duty on the tobacco found missing should not be made at the highest of the several rates unless proof can be adduced that the tobacco pilfered was actually used in cigarette making. It would suffice, in such cases, to charge duty in terms of the owner's bond at the lowest of the rates applicable.

These recommendations do not, of course, apply to scrap and other tobacco which is not packed in pressed bales.

63. *Storage Losses-Suggestions for improvement.*—(a) Some witnesses in Delhi suggested that a maximum limit for condonation of losses should be fixed and losses occurring beyond such limits should be charged to duty without any formality. We feel that this is an over-simplification. Firstly, in absence of any standardisation of grades, it is hardly possible to lay down any such limits which would stand informed criticism. Secondly, this system would be fair neither to the trade nor the revenue. Even if any such maximum limits could be prescribed, a tendency is bound to grow up for claiming losses upto the limit even where the actual losses are less than the maximum limit.

(b) The suggestion made by the Central Board of Revenue for simplifying the entire problem of losses by charging duty on the weight first warehoused was explained to all sections of the trade. Only two or three witnesses, normally dealing with small lots of processed tobacco, which do not disclose any appreciable losses, expressed themselves in favour of this scheme. All other witnesses who gave opinion on this subject vehemently opposed it on various grounds.

The main ground of opposition was that it would mean the relinquishment of a long enjoyed right. It was also urged that it would be inequitable to charge duty on losses to natural causes as it would mean charging duty on a commodity that did not exist. One witness went to the length of even saying that levy of such a duty would be illegal.

Witnesses in Guntur explained that in respect of Flue Cured tobacco, the rate of duty depends on the proportion of imported tobacco mixed with Indian tobacco, and if no abatement is to be given for losses in storage etc. it would not be possible to calculate the rate of duty fairly and correctly. It was also urged that assessment of tobacco under items 9I (1) and 9I (4) of the First Schedule to the Central Excise Act was conditioned by the actual use of the tobacco for manufacture of cigarettes or smoking mixtures for pipes and cigarettes. For quantities which had dried up and were non-existent, assessment under these items could not legally be made.

Many witnesses wanted to know whether under this scheme Government would allow them to clear, free of duty, that quantity of tobacco which may result from gains in weight after entry into warehouse due to absorption of moisture.

Some witnesses in Bombay urged that no sensible licensee would like to bear the losses himself, and if no abatement was to be given for losses, they would add foreign matter like sand etc. to make up the deficiency. They warned that such a scheme would encourage frauds as it would lead to surreptitious removal and replacement with sand, mud etc.

We are convinced that such a scheme would meet with almost universal opposition and its implementation will not only cause widespread dissatisfaction, but may also not be practicable. It is quite true that, as pointed out earlier, the present methods of assessment of losses are not wholly satisfactory. To try to improve the system is one thing so that the people affected may get the best advantage of it. But it is quite another matter, in desperation, to give up the concession altogether—a concession which is being enjoyed by the trade generally over a number of years.

(c) While witnesses admitted that losses in tobacco occurred due to variable factors, some of which were often undeterminable or even unknown, the general opinion appeared to favour the existing procedures for deciding such cases, provided decisions were intelligently taken and took into account all ascertainable factors. It was urged that the experiments conducted so far have neither been exhaustive enough nor have they been rationally and scientifically conducted or interpreted. It was perhaps this feeling which prompted some of the witnesses to declaim the utility of further experiments. Such dissentients were, however, very few and the trade in general favoured a scheme of more wide-spread experimental observations being made to ascertain normal average behaviour of different varieties under varying conditions of storage, processing etc. for guidance of adjudicating officers, so that fair abatements will be allowed for deficiencies arising from natural causes.

We also feel that no other satisfactory solution is possible.

64. *Methods of Conducting Experiments*—(a) No particular suggestions were made for the manner in which such experiments should be conducted, except that these should be conducted in co-operation with the trade. One Collector of Central Excise suggested that the moisture content of tobacco during various seasons should be scientifically and accurately tested at important centres by subjecting samples of tobacco weighing about 4 ozs. to such tests in laboratories. We do not think that the results of such experiments would be at all representative in view of the extremely small size of the test sample and an absence of standards of moisture content in country tobacco types.

(b) The Collector of Central Excise, Hyderabad, and the Director of Agriculture, Andhra State were of the view that the Tobacco Research Station at Rajahmundry, and similar organizations of the Government at other places should conduct detailed experiments.

(c) We find that except for Shillong and Pondicherry Collectorates, experiments to determine normal losses were conducted in all other areas between the years 1949 and 1953, and in some of the Collectorates fresh series of experiments are being conducted now. We have also examined the technique followed in making these experiments and the analysis of the experimental data wherever these have been made available to us. We do not find any uniformity either in the procedure or in the manner in which the data has been collected or analysed. In Delhi Collectorate, for example, experiments were conducted by segregating selected packages and weighing them periodically. In Patna Collectorate, the schedule of

losses gives the percentage of losses for periods less than six months and more than six months without reference to the periods of the year in which such losses were noticed. The same technique is followed in Madras Collectorate where the percentage of losses is given over different periods of storage in months and days. In other Collectorates, specially Calcutta, Bombay and Shillong, the time factor is also wedded to the weather conditions. In practically all such analytical data, we notice that there is a progressive increase in the degree of loss towards the end of the first year. In none of the data, however, the behaviour of the same tobacco in subsequent years was analysed.

(d) The analytical data supplied by the Collector of Central Excise, Nagpur, however, shows an entirely new technique. Similar technique has been followed in Baroda and Allahabad Collectorates for conducting a fresh series of experiments within recent periods but the collection and compilation of the data is not yet complete. The Nagpur data which has, however, been analysed discloses that though losses in storage increase progressively in relation to the duration of storage, they are not invariably progressive. For example, their observations show that a consignment of tobacco first warehoused in summer is likely to gain in weight during the following monsoon and, thereafter, continue to lose in weight more rapidly at first, and then at a somewhat lower rate during the winter months; in the succeeding summer months the process of dryage is again accelerated. This pattern of behaviour is repeated in subsequent years.

(e) The technique in Nagpur Collectorate was to watch the behaviour of whole consignments under normal conditions of storage in all warehouses of comparable sizes in selected centres, noting also the degree to which each warehouse was proof against the weather. Experimental observations were conducted simultaneously at the turn of each of the principal seasons. This enabled data to be compiled of behaviour during comparable conditions and period of storage of tobacco of varying age with different owners. Having regard to the fact that this technique took into account most of the major factors which have a bearing on variations in weight of tobacco in storage, we feel that this method of conducting observations is more rational and the results achieved thereby are likely to be much more representative of the actual behaviour of goods in storage than any method under which selected packages are subjected to test-weighments at fixed intervals, either in individual warehouses or in laboratories.

We recommend that this technique may be further scrutinized for making any improvements which may be feasible and experimental observations should be conducted in an uniform manner in all the major tobacco warehousing centres in the country for arriving at more representative data for guidance of officers who decide claims for losses occurring in storage. There being such a large variety of terrain in which tobacco is grown, such a wide range of weather conditions in different parts of the country, and so many forms in which the tobacco is packed and stored, each of which affects the rate of moisture loss or gain of tobacco in storage, whatever data is obtained through any series of experimental observations, however carefully conducted, can at best give merely a general guidance of condonable limits with reference to as many factors as it has been possible to take into account in individual cases. No scheme of fixing uniformly applicable limits for condonation of losses on a common basis throughout India could be called at all rational.

65. *Transit Losses*.—(a) In relation to transit losses in movements of tobacco by rail it was urged by several witnesses that since tobacco is weighed at the time of removal and is weighed again on receipt at destination, the Railway authorities, in whose possession the tobacco remains during the intervening period, should be held responsible for all transit losses. We do not subscribe to this view, because tobacco does not remain either under constant Excise supervision or entirely in Railway custody for the whole of the transit period. Besides this, the Railway administration already provides for grant of compensation in case of proved pilferage while in Railway custody.

(b) Some witnesses in Bihar and Bombay urged that tobacco is wetted prior to despatch over long distances to prevent it from crumbling in transit, and due to this it shows proportionately heavier losses, not only during transit, but also in subsequent storage at the place of destination. This factor, it was urged, was not taken into consideration while deciding loss cases. Excise Officers at the place of despatch also did not mention the fact of wetting on the covering documents, although it was very easy to ascertain the extent of moisture added.

We feel that there is some force in this argument. Where water is added prior to bagging, the operation would normally appear in the processing accounts and the fact that moisture was added would be indicated by a gain in weight during processing. Such indications would be sufficient justification for presuming that appreciation in weight was due to absorption of moisture, and if the despatching officer endorses the percentage of gain noticed on the covering documents, it would be helpful in deciding loss cases subsequently. We recommend that appropriate measures may be taken so that gains in weight due to moisture are taken into account when subsequently adjudicating losses in storage and transit.

66. *Processing Losses*.—A few witnesses urged that the system of condonation of losses in processing provided wide scope for manipulations and frauds especially in growing areas where false and inflated processing losses help licensees to smuggle tobacco. No general dissatisfaction with the present methods of dealing with processing losses was otherwise brought to our notice.

Here again, we recommend observations being conducted to collect data of actual processing operations on the lines of experiments suggested to find out the behaviour of consignments in storage for guidance of adjudicating officers.

67. *Stock-taking Losses*.—Some witnesses criticised the present procedure of adjudication of losses on stock-taking as unnecessary and time consuming. The Collector of Central Excise, Calcutta, was of the opinion that *pro rata* calculations which make stock-taking possible did not give correct results in so far as the calculations are based on the difference between the original marked weight and the ascertained weight of a few packages. The present practice of opening new stock-cards also disrupted the continuity of the history of a lot of tobacco and created difficulties in adjudication of losses. He, therefore, suggested that *pro rata* calculations of weight of a lot ascertained either during normal stock-challenge or during the annual stock-taking should be endorsed on the same stock-card. He and some witnesses in Delhi also urged that losses noticed in each lot should be settled only with reference to the weight

received and the weight finally cleared from a warehouse. In Coimbatore, a suggestion was made that settlement of losses should not be made on the basis of each lot but on the overall transactions of a warehouse in a year.

The main purpose of an annual stock-taking seems to be to ensure the safety of revenue by periodical survey all over the country. Though all tobacco lying in warehouses and Curer's Bonded Store-rooms is covered by a bond, this would not provide enough security unless prompt action is taken in cases of proved breach of the bond conditions. We, therefore, feel that annual stock-taking is a useful check. While the present practice of computing the stock in each warehouse by *pro rata* calculations may continue, we suggest that the weight of consignments so ascertained should not, however, form the basis of adjudication but should only be noted on the stock-cards and in the warehouse register for guidance while deciding the loss after final clearance. If, however, the annual stock-taking results disclose suspiciously large variations, action under the existing rules would not be precluded. In such cases, however, we think that total weightment should be done to provide a more satisfactory basis for penal action. These suggestions would not only obviate the necessity of transferring existing entries to new stock-cards and opening of fresh entries in warehouse registers, but also save considerable time and labour in checking of accounts, issuing notices and obtaining explanations and in decision of loss cases.

68. *Adjudication of Loss Cases*—Some witnesses complained that adjudicating officers rely mostly on the reports of their subordinate officers and are guided by the schedules of admissible losses prescribed by their superior officers. They neither apply their minds fully nor do they consider all the several factors which are responsible for losses. They, therefore, suggested that such cases should be decided by an independent set of officers with no direct revenue or executive functions.

We do not feel that the appointment of independent officers for this purpose would meet the criticism. The problem of equitable assessment of extent of loss is fundamentally one of a proper approach to the subject.

The first step in this direction is the collection of reliable data which we have already dealt with. Secondly, it must be borne in mind that such data could provide guidance for condoning losses occurring under normal conditions. It is of the utmost importance, therefore, that the presence or absence of abnormal conditions or illogical results should be established before a decision to demand duty on goods claimed lost due to natural causes. It does appear that many officers are not at present prepared to condone losses in excess of the limits indicated in the schedules of admissible losses which are themselves questionable as real or objective. This tendency is to be deprecated. Where losses arise due to abnormal factors, the schedule of admissible losses becomes an even more uncertain guide and reliance has, of necessity, to be placed on a proper appreciation of the abnormal factors. We suggest that appropriate steps should be taken to achieve greater objectivity in settlement of cases by taking into account all material facts.

CHAPTER IX

ADJUDICATIONS, APPEALS AND SETTLEMENT OF DISPUTES

69. Differences of opinion between the trade and the Department, calling for decision by senior officers of the Department or for formal adjudication under the Central Excise Rules, and the right of aggrieved parties to file an appeal against an unfavourable decision, have a close bearing on the various aspects of Central Excise administration which we have discussed earlier. Witnesses expressed their difficulties in these matters and urged that a proper machinery for dealing with such matters would obviate much of the dissatisfaction of the trade.

(a) *Adjudication*—Some witnesses in Coimbatore and Ajmer advocated setting up a separate authority for adjudication of cases citing the principles on which the Judiciary and the Executive are being separated. It was urged that Departmental adjudicating officers were guided by reports of their subordinates and gave their decisions generally in favour of the revenue regardless of the merits, and the trade was not given all the privileges of defence, such as cross-examination of witnesses etc. normally permitted in judicial trials. In Sangli one witness urging the above grounds suggested that even loss cases should be adjudicated by such an independent authority. The number of witnesses who advocated setting up of an independent authority for decision of disputes was, however, very small. We do not see much merit in the suggestion. Regular trials by judicial officers, as experience of ordinary civil litigation shows, will not only involve longer delays in decision of cases but would also be more troublesome and expensive to both sides. It is perhaps on this account that the majority of the witnesses did not find any serious fault with the present methods of first adjudications.

(b) *Appeals*—In Ajmer and Guntur, some witnesses criticised the application of Sec. 189 of the Sea Customs Act to the Central Excise Rules according to which the appellant is required, pending the appeal, to deposit the amount of penalty or duty against the levy of which an appeal is made. It was urged that this procedure was not only irksome in so far as the amount deposited had, in many cases, to be refunded when the order-in-original was modified or set aside in appeal, but also denied justice in cases where the amount of penalty or duty demanded was excessive and the appellant was not in a position to pay it at all, or to pay it within the time allowed by law. While some witnesses wanted this provision to be scrapped altogether, others urged that Government should not insist on cash payment but should accept some kind of Surety or Security of a Bank or other reliable agencies. We are informed that in some cases Government has accepted such securities.

We are aware of the administrative difficulties attendant in enforcement of payment of amounts secured by Sureties but we see no objection to the acceptance of adequate Surety or Security in such cases as an alternative to cash payment. We, however, do not agree with the suggestion of scrapping the provisions of Sec. 189 of the Sea Customs Act altogether. It is an important and effective method of recovery of dues found payable after due consideration and is often the only available means after the goods to which the dues relate have passed out of excise control. We see no reason why a person who is really innocent should hesitate to pay the amount in cash or

secure its payment otherwise, since the amount can be refunded or the Security released after favourable decision of the appeal.

(c) *Appellate Tribunals*—Several witnesses urged the setting up of separate Appellate Tribunals for the Central Excise Department, citing the analogy of the Income-Tax Appellate Tribunals. One section of the trade in Gujerat urged that the setting up of such Tribunals would provide two channels of appeal as in the Income-Tax Department and persons who were aggrieved by a decision in the first appeal could file an appeal before the Tribunal. In Guntur, Nipani, Jaysingpur and Bombay, witnesses urged setting up of such Tribunals to ensure more speedy and equitable decision of appeals.

Some witnesses in Bombay were of opinion that the Tribunal should hear appeals in which the subject matter of the appeal exceeded Rs. 2,500. Table No. 11 at page 123 shows the comparative incidence of appellate and revision work in the Central Excise and Income-tax departments.

This question has already been considered by the Taxation Enquiry Commission and we feel that that body's recommendation of setting up a Tribunal to decide cases should be implemented.

(d) *Advisory Committees*—Witnesses all over India showed great interest in the recent decision to constitute Advisory Committees at each Collectorate Headquarters. The trade were generally very optimistic as to the usefulness of such Advisory Committees in settling disputes, resolving difficulties and for ensuring a close cooperation and understanding between the trade and the administration. We agree that in principle, the idea of Advisory Committees is essentially sound but we notice that, at present, the tobacco industry, especially the producer lacks proper organisation and, as such, the representation on the Advisory Committees may not be as comprehensive as desirable. This, however, is a matter for the trade to rectify. Certain witnesses were not satisfied with the creation of such Advisory Committees only at Collectorate level and suggested that such Committees should also be formed at Divisional and Circle Headquarters.

Prior to the decision to form Advisory Committees for each Collector of Central Excise, the departmental instructions required that supervisory officers should, in periodical gatherings of their licencees, discuss their practical difficulties for solution of procedural bottle-necks to facilitate free movement of tobacco.

We feel that the formation of Advisory Committees at levels lower than the Collector should await the experience of the working of the Collector's Advisory Committees but we would urge that Committees at the Collector's level should be formed without avoidable delay. The subordinate supervisory officers under the Collectors should implement the directive about periodical discussions of the industry's problems more fully and at these group discussions representatives of grower/curers should be especially invited.

(e) *Use of Regional Languages*—Witnesses at Patna, Bombay, Guntur, Anand and Nagpur urged that proper observance of departmental orders, rules and regulations can be improved considerably if the operators in the tobacco trade were familiar with their duties and the procedures to be followed by them. Several suggestions were made to achieve this objective. At Sangli it was urged that the relevant rules applicable to growers and curers

and whole-sale dealers should be reproduced in the regional languages on their respective licences. At Patna it was urged that orders and Notifications issued by Collectors should be publicised in Regional languages. In Gujerat and Bihar some witnesses urged that in growing areas often officers posted did not know the local language and were, therefore, unable either to understand their problems or to guide the growers properly. We are, however, given to understand that the staffing of each area is normally from local men and, except for displaced persons who have not had time to pick up the local language, most officers know the local language.

Some witnesses suggested that the forms commonly required to be filled up should be printed in the regional languages. We are given to understand that this is already being done and bilingual forms are being introduced in all areas. At Jodhpur some witnesses also urged that the Department should issue booklets for the guidance of the trade. We understand that such a book in English is already under print and would recommend that it should be made available to the public in Hindi and other important regional languages also.



TABLE NO. 11
Table showing Appellate Work in The Income-Tax and Central Excise Departments

Appellate authority	1952				1953				
	Total No. of Appeals filed	No. disposed of		Pending	Total No. of Appeals filed	No. disposed of		Pending	
		Successful	Unsuccessful			Successful	Unsuccessful		
INCOME-TAX									
1. Appellate Asstt. Commissioner	88,611	35,270	30,625	22,716	95,851	41,491	29,860	24,497	
2. Appellate Tribunal	6,859	3,462	2,193	1,204	7,372	5,394	2,377	(+)399	
CENTRAL EXCISE									
1. Collector	..	1,816	217	1,133	3,021	622	1,118	1,281	
2. C.B.R.	..	90	40	32	204	35	49	120	
3. Govt. of India	..	174	61	58	428	75	117	236	
1954									
Appellate authority	Total No. of Appeals filed	No. disposed of <td rowspan="2">Pending</td> <td rowspan="2">Total No. of appeals filed.</td> <th colspan="2">No. disposed of<td rowspan="2">Pending</td><td rowspan="2">Remarks</td></th>		Pending	Total No. of appeals filed.	No. disposed of <td rowspan="2">Pending</td> <td rowspan="2">Remarks</td>		Pending	Remarks
		Successful	Unsuccessful			Successful	Unsuccessful		
1955									
INCOME-TAX									
1. Appellate Asstt. Commissioner	94,123	45,508	30,519	96,379	41,718	28,000	29,661	Appeals	
2. Appellate Tribunals	6,666	4,452	1,342	5,740	3,388	1,684	668	Do.	
CENTRAL EXCISE									
1. Collector	3,320	844	1,275	1,201	2,678	731	1,352	Do.	
2. C.B.R.	197	35	118	44	202	68	(+)58	Do.	
3. Govt. of India	300	83	158	59	535	135	96	Revision Petitions	

NOTE:—The figures in respect of Income-Tax relate to financial years and the figures in respect of Central Excise relate to calendar years.

CHAPTER X

MISCELLANEOUS

70. Several points were raised by witnesses which are not relevant to the terms of our enquiry. Their sponsors were informed accordingly. Since, however, very keen interest was shown in certain problems and witnesses were anxious that at least a note should be taken, these have been listed for consideration by Government. Minor procedural difficulties and certain individual grievances placed before us were brought to the notice of Collectors of Central Excise concerned.

LOCAL TAXES

71. (a) *Sales Tax*—The greatest interest was shown in respect of Sales Tax which is levied in practically all parts of the country. Large sections of the trade urged that in so far as the Sales Tax was levied with reference to the cum-duty value of the tobacco, it was in the nature of a tax on a tax and, therefore, objectionable. This type of tax is not peculiar to tobacco because it is similarly levied on all other commodities which are taxed whether on importation from other countries or produced in India. Such commodities are available for purchase only after excise duty, import duty, cess, octroi, and all similar pre-sale imposts have been taken into account in fixing the selling price. Sales Tax is then calculated with reference to the price of the article. The peculiarity in tobacco is that the amount of excise duty often far exceeds the non-duty paid value of the tobacco, particularly of inferior grades. Due to the sizable difference in the various rates of Central Excise duty on tobacco, the incidence of Sales Tax is naturally magnified on those varieties which are taxed at the higher rate. The disparity between the quantum of duty and the ex-duty value of most other excisable articles is not quite so marked.

In Madras and Cochin several witnesses urged that the disparity in the rates of Sales Tax in different States encouraged smuggling of tobacco for evasion of Sales Tax, thereby affecting both the trade of areas where the rates of Sales Tax were higher and the revenues of the States. It was also urged that in many cases when Sales Tax was levied on unmanufactured tobacco, it was levied again when such tobacco was converted into a manufactured product. Another difficulty urged by the trade in these areas was that the State authorities required maintenance of separate accounts for their purposes and had prescribed several returns. The time taken in maintaining such accounts, submitting the prescribed returns and in attending on the Sales Tax Officers from time to time left the merchants hardly any time to attend to their own business. In Nipani and Sangli some witnesses urged that tobacco had to be put through several stages of processing to prepare graded biri flakes and as the Sales Tax authorities regarded each such stage of processing as a separate transaction, they levied Sales Tax on the same tobacco at each of these stages.

All witnesses who referred to this issue were vehemently critical of the methods of levy of the Sales Tax due to one or more of the reasons mentioned above. Except for a few who objected to the tax itself, all other witnesses

urged that their difficulties would be solved if Sales Tax was controlled by one Central agency. Some witnesses even suggested that this could best be done by an increase in the rates of Excise duty and the distribution of the extra amount, so collected, to the various States according to some agreed formula to compensate them for loss of revenue from foregoing Sales Tax on Tobacco.

(b) *The Andhra General Purchase Tax*—The Andhra General Purchase Tax is levied @ 7½ pies per rupee in case of dealers whose turn-over is not less than Rs. 10,000 per annum. Several witnesses have represented against this tax on the ground that since the incidence of this tax falls also on tobacco exported to foreign countries and of which no refund is granted, the price of Indian tobacco in foreign markets is inflated by as much as 4½ per cent. Coupled with this factor, the very keen competition being faced by Indian tobacco in the U.K markets from Rhodesian tobacco is serious threat to the future of export market of the Indian tobacco. The Secretary of the London Chamber of Commerce addressed a Memorandum dated 18th May, 1956 which emphasises the foregoing aspects and contains a warning that Indian tobacco might lose its present position in the London market on account of the Purchase Tax as well as its price. The Chamber also refers, in passing, to the constitutional validity of an impost which acts like an export duty. The Memorandum is reproduced in Appendix VII.

Witness in Guntur also urged that the Purchase Tax is having an adverse effect on growing of Virginia tobacco because part of the Purchase Tax has to be borne by the growers. It was urged that since foreign buyers are not prepared to shoulder the increase in price caused by the Purchase Tax, and since the exporters themselves are reluctant to bear this tax, a part of it has ultimately to be borne by the poor growers who already secure only a minor fraction of the sale price of the tobacco and a further reduction in their earnings due to the General Purchase Tax would hit them very hard indeed and may ultimately affect the cultivation of tobacco.

We have read with satisfaction the decision taken by the National Development Council in the month of December 1956, whereby it is proposed to collect Sales Tax on Tobacco as a surcharge on the Central Excise duty. If a solution along these lines is found, it will meet the demand of the trade so forcefully placed before us.

(c) *The Agricultural Export Cess*—This was criticised on the ground that when it was first levied the income was to finance development schemes for tobacco. The Indian Central Tobacco Committee, which is now charged with these functions, is being financed by grants out of the Central Excise duty on tobacco. The levy of the Export Cess enacted in conditions which have ceased to exist is, therefore, not justified. The Andhra Chamber of Commerce complained that this Cess was charged on samples exported even though the amount so collected was less than a rupee. This caused a lot of delay in sending samples and they suggested that the Cess on samples should be abolished altogether, we commend this suggestion for Government's consideration.

(d) *State Licences*—State licence fees were reported to be in force in the States of Punjab, Madras, Andhra and Madhya Pradesh. State licensing of tobacco dealers is reported to be due to the decision of the States concerned to forego the lump-sum compensatory grants out of the Central

Excise duty collections in earlier years. Since all dealers in unmanufactured tobacco are already licensed under the Central Excise Act, separately licensing them again under State Legislation not merely meant that the same person had to have more than one licence for carrying on one and the same calling but had also to account for his business transactions to a number of several official organisations.

As most of the State Licensing regulations flow from the application of their Sales Tax laws, the future of State Licensing of tobacco trade is necessarily linked with the future administration of Sales Tax on tobacco.

72. *Warehousing*—(a) Under Rule 145 of the Central Excise Rules, tobacco can remain in a bonded warehouse for a period of 3 years from the date of its first warehousing, with provision for extension of this period on application. Opinion of the trade as to the adequacy of the present limits was divided and while some witnesses urged that the total period of storage should be five years with provision for further extension by two years, other witnesses thought that an over-all limit of five years without any provision for extensions was sufficient. The general opinion appeared to favour the latter suggestion. The main arguments in favour of it were the delay involved in securing extensions and the need for repeated requests for such extensions. Delays in extensions were commonly complained of in Rajasthan where it was urged that in many cases intimation of extension was received when even the extended period was about to expire or had already expired. Due to this, the applicants were not in a position to take any material advantage of the extensions granted as they could not sell or consume time expired goods unless an extension was first secured. It was also urged that extensions were granted for relatively short periods at a time, with the result that repeated requests for re-extensions had to be made. As a possible solution to all these difficulties, it was suggested that the Assistant Collectors should have enhanced powers for granting extension of warehousing period and the power at present vested with the Central Board of Revenue should be delegated to the Collectors of Central Excise. Some Collectors also supported this suggestion. We find that these delegations have recently been made.

(b) Several witnesses complained that the right to process tobacco in warehouses was being unduly restricted. For example:—

- (i) One witness from Mangalore questioned the legality of such restrictions and urged that the terms “for the preservation, sale or disposal” occurring in Rule 143 of the Central Excise Rules should be very liberally interpreted and that roasting of tobacco for preparation of snuff and even packaging of snuff into tins should be allowed under bond, because the preparation of unmanufactured tobacco into a particular form and its packaging were necessary for the sale and disposal of the unmanufactured product.
- (ii) Witnesses in Bihar Sharif complained that undue restrictions on processing were placed because officers suspected the bonafides of the quantities of by-products like dust etc. obtained after processing. They explained that they received unmanufactured processed biri tobacco from long distances which had to be wetted before packing and transport. This caused lumps to

form, and before the tobacco could be used for biri manufacture each lump had to be broken up, resulting in larger quantities of dust forming during processing.

- (iii) In Gujerat, one witness complained that tobacco in bundles of a particular shape was not allowed to be opened in bond to be re-tied into bundles of another shape. As an example, they said that tobacco cured as black Chopadia sometimes could not be sold at advantageous price, and if it had to be re-tied as Chanchwa tobacco, the department did not allow this operation under bond. (Black Chopadia and Chanchwa are local names for the same tobacco tied in two different forms of hanks of leaves).
- (iv) Other witnesses in Gujerat complained that if low quality flake tobacco which was assessable at the higher rate in that form could not be sold because of the high incidence of duty, the trade was not permitted to process it under bond into Rawa and Dust for obtaining lower rated assessment. We have already referred to this elsewhere.
- (v) In Coimbatore some witnesses complained that if a consignment of processed tobacco had to be reprocessed, this was not allowed without special permission from the Superintendent of Central Excise. This caused delays and avoidable hardship. Local officers defended the practice on the ground that re-processing of processed tobacco was abnormal, and provided scope for committing frauds on revenue. Each such case, therefore, needed a careful examination on its merits.
- (vi) Another complaint made in this area was that if a consignment of tobacco was undergoing processing, clearances of part consignments of processed goods were not permitted until the whole process was completed. Here also, it was explained by the Superintendent that these restrictions had been applied in the interests of revenue, because clearances from a partly processed lot would enable an unscrupulous licensee to manipulate the results of processing and pass out excess quantities without being brought to account. We understand that in Bombay and Baroda Central Excise Collectorates, where continuous processing of several lots is permitted over prolonged periods, such restrictions are not applied. The Collector of Central Excise, Madras, also explained that such restrictions were not applied to larger warehouses where chain processing was a normal feature. We suggest issue of clearer instructions to ensure uniformity in this matter.

(c)(i) Several difficulties were mentioned in connection with the execution of bonds. In respect of B.4(Sur.) Bonds, witnesses in Hyderabad, Madras and Guntur complained that the department insisted on the verification of solvency, not only of the sureties, but also of the obligors. The main ground of dissatisfaction against this procedure was that when a reliable and solvent surety is furnished, the obligors should not be needlessly troubled to prove their own solvency.

We understand that in other parts of the country formal verification of obligor's solvency is not insisted upon as long as acceptable sureties are furnished. This is quite logical.

(ii) In respect of B.5 (General Surety) Bond, witnesses in Guntur complained that if a warehouse owner executed a bond for a sum of 50 thousand rupees, he is allowed to transport unlimited quantities of tobacco under bond, even though the duty on the tobacco in transit at a time may far exceed this amount, as it usually does, for Virginia Flue cured tobacco; but, for those whose bonds are for sums below 50 thousand rupees, a running bond account is maintained and no over-drawals are allowed. They claimed that this distinction was discriminatory. The Collector of Central Excise, Hyderabad defended this practice on the ground that persons who were able to furnish sureties of the amount of Rs. 50 thousand could certainly be regarded as reliable for any liability, but not all others.

(iii) In Sangli, some witnesses complained that due to the fragmentation of holdings under the new tenancy law, it was not easy to produce locally known sureties for large amounts in growing areas. They, therefore, urged that the maximum amount of the B.5 (General Surety) Bond should be reduced to rupees ten thousand.

(iv) In Gujerat, one witness urged that in a partnership concern, each partner was a separate entity and, therefore, partners should be permitted to stand surety to the firm as a whole.

(v) Some witnesses in Bihar urged that licensees of a particular area who were trading in distant places were often unable to produce local sureties, and the excise officers were not prepared to accept sureties who were residing in other States.

(d) Under the present orders, although any tobacco can be cleared at nil rate of duty for destruction or agricultural purposes, elaborate safeguards have been provided, including quantitative limits restricting the powers of officers of various grades to authorise and supervise destruction of tobacco, to ensure against loss of revenue by frauds. In Guntur, M/s. I.L.T.D. Co. urged their special difficulties in this regard. Re-drying of tobacco, it was explained, necessitated the removal of butts, and very large quantities of butts accumulated during the marketing season. As these butts had no market, they had to be destroyed. Instances were cited in which permission to destroy butts, sought for in May, had not been granted till September. The need for expeditious grant of such permission was urged because, if this could be done well before the transplanting season, the butts could profitably be used as manure. If permission was delayed, and crops had been transplanted, disposal of butts presented new problems. A similar complaint was made by the Ahmedabad Tobacco Merchants' Association also. We suggest that steps may be taken to ensure that all requests for destruction are speedily disposed of.

(e) In Gujerat and Nipani a novel difficulty was urged as flowing from mention of date of first warehousing in excise records and transport documents. It was urged that the price of tobacco was influenced by the age of the tobacco which was shown by the date of first warehousing. Tobacco of a later crop could fetch a better price, not so much on grounds of quality alone, but because a longer period of storage under bond was available to the purchaser. Usually, with biri tobacco it was necessary to blend old and new tobaccos to prepare satisfactory biri mixtures. Blending of old and new tobaccos was also, often, the only method of utilising older lots. Whenever older tobacco was mixed with newer, the date of first warehousing of the oldest fraction in the mixture determined the age of the mixture. The

shorter period then left for keeping it in bond depressed the price of the mixture. It was, therefore, urged that the date of first warehousing should not be mentioned in any excise documents which the purchaser could see.

The Committee is unable to endorse acceptance of this demand.

(f) In Gujerat considerable dissatisfaction was expressed with regard to the maintenance of the weighment registers to show the weight of each package warehoused, on the ground that the weight of each package is already noted on the back of the transport certificate under which it moves from the curing yard to the warehouse and because, on reaching the warehouse, the consignment does not show any variation. Moreover, the consignments are taken up for processing within a short period of arrival. Writing the weight of each package in the weighment register was an unnecessary duplication. It was explained to them that the weight noted on the back of the T.P. 3 was not necessarily the actual weight of each package, because, the departmental procedure permitted the noting of approximate weight on the T.P. 3. They, however, urged that in their area no estimated weight is ever recorded on the T.P. 3. We feel that where weighments are done a proper record of weighments should be maintained.

(g) Udaipur Merchants urged that after the curing season, large stocks of tobacco were received by them and they had to ask for permission to store such tobacco in addition premises, temporarily. Such permission was, under the present orders, given only by the Assistant Collector, normally after considerable delay. They, therefore, urged that the Inspector should be authorised to sanction such temporary additional premises. This may be re-examined in the light of recent orders delegating higher powers of licencing to subordinate officers.

(h) The Patna Tobacco Merchants' Association complained of delays in depositing duty because payments were not accepted by the State Bank of India unless the Treasury Chalan was endorsed by the Treasury. Clearances, therefore, could not be obtained speedily. They, therefore, urged that the procedure for payment of excise duty should be so regulated that the amounts could be deposited in the State Bank directly, without the endorsement of the Treasury Officer. A witness from Mangalore urged that licensees should be permitted to pay duty by cheque into Revenue Treasuries.

We understand that in certain areas payments can be, and are being made, directly into the State Bank of India in cash or by Cheque. We suggest that similar facilities should be arranged in all areas.

(i) Jodhpur and Udaipur merchants complained that stock challenges, now conducted at each warehouse frequently by Inspectors and other officers, caused a lot of trouble and expense besides damaging the tobacco. They, therefore, urged that the system of stock challenges should either be abandoned or checks done at longer intervals. We suggest that stock-challenge may be so made that the tobacco is not in the least damaged.

(j) The growers of Sangli complained that tobacco was not permitted to enter a warehouse, except in the presence of the Inspector. Many times, the Inspector was not readily available as he had other calls on his time, and the tobacco had to be kept outside, with the attendant risk of its being spoiled by rain etc. They, therefore, urged that the Inspector should visit the warehouses at fixed times to attend to warehousing work. We feel that such delays should be avoided.

(k) Complaint was made in some areas of Bombay and Madras States that curers were not permitted to separate dust etc. from their tobacco or to crush their tobacco into broken leaf grades. We understand that operations essential for the preservation of tobacco and its initial marketing are permitted in Curer's premises under the law. We, therefore, recommend that operations which are permissible under the law should be allowed uniformly all over the country.

73. *Stationery*—One licensee of Delhi complained that the department was not supplying adequate stationery to the officers for official purposes. The excise officers, therefore, requisitioned such stationery from the licensees, and it could also happen that stationery so acquired may not be used only for official purposes but also for officers' personal requirements. Collectors of Central Excise, Delhi and Calcutta criticised the stationery supply position and stated that adequate stationery was not being supplied against indents placed with the Stationery Office. We understand that the Central Board of Revenue is aware of the extremely unsatisfactory position in this behalf and would suggest that arrangements should be made urgently to supply officers with stationery for all official purposes.

74. *Rebate on paper*—The Indian Tobacco Association, Guntur claimed that since paper which was used for packing tobacco bales for export was excised, a rebate of excise duty on such paper should also be given to them.

75. *Transport and Accounting*—(a) (i) In the main consuming centres in Bihar and Rajasthan, witnesses pleaded for liberalization of the conditions under which Sale Notes are, at present allowed to be used. In Rajasthan, where distances over which tobacco has to move are very large and the means of communication slow as well as meagre, a plea was made for allowing more time for transport under Sale-notes. Some witnesses urged that many purchasers purchased two bags of biri tobacco at a time, the total weight of which is about $2\frac{1}{2}$ mds. Since transport of biri tobacco exceeding $1\frac{1}{2}$ mds. is not allowed under cover of Sale Notes, consignors had to obtain official permits in all such cases. They, therefore, urged that the quantitative restriction on transport of biri tobacco by Sale Notes should be raised from $1\frac{1}{2}$ mds. to 3 mds.

(ii) Some other witnesses urged that tobacco was not allowed to be transported under Sale Notes by motor trucks unless the owner accompanied the goods. In several cases, where several purchasers from the same or neighbouring centres desired to transport the tobacco and to economise costs pooled the charges of hiring a motor truck, these restrictions interfered. The truck could not carry all the different purchasers. They urged that transport under Sale Note by truck should be allowed if any one of the several owners accompanied the consignment and produced Sale Notes for all the consignments being carried therein.

(iii) Dealers of South Bihar complained that the present requirement of Inspectors signing each Sale Note before use, caused difficulties because Inspectors signed only a few Sale Note forms at a time, and licensees had to approach them repeatedly at short intervals to get more forms signed.

(b) The Jaysingpur Association complained that if any tobacco was suspected to be substituted, it was seized and its release was conditional on payment of duty on the tobacco so seized. In addition to this, officers also raised separate demand on the quantity suspected to have been substituted. This double demand of duty they urged, was most unfair.

(c) At Udaipur, tobacco dealers complained that they were required to maintain accounts of duty-paid tobacco separately for each variety of tobacco, which caused considerable hardship. They also complained that they were not permitted to break whole-leaf tobacco for sale on the grounds that such tobacco in broken form may be used for biris. They said that any whole-leaf tobacco had to be broken up before consumption, because even for chewing purposes, a person could not obviously swallow the whole-leaf without breaking it.

(d) Shri Venkatraya Pai of Mangalore and dealers of Jodhpur complained that they had to write number and date of the predecessor T.P. 1 in column 3 of their E.B. 3 register. Since they were maintaining detailed account of the disposal of tobacco from each permit on the back of each, this double accounting was redundant.

76. *Biri versus cigarettes*—Several witnesses in Gujerat, Rajasthan and Madras urged that cheap cigarettes are progressively replacing biris. This, they urged, was due to the comparatively low excise duty on cheap cigarettes. Messrs I.L.T.D. Co. explained that this was not the case because while the Excise Duty on biris worked out to only about seven annas per thousand, the incidence of tax on the same number of the cheapest varieties of cigarettes came to approximately Rs. 2/6/-.

We feel that if it should become necessary to consider this aspect of the matter, it would be gone into more fully by the appropriate authority.

Signed :—

K. RAGHU RAMAIAH	(Chairman)
T. G. SHIRNAME	(Member)
F. D. PATEL	(Member)
M. ABU BACKER	(Member)
M. S. PATEL	(Member)
M. B. GHATGE	(Member)
M. NAGESWARA RAO	(Member)
R. A. PATIL	(Member)
MOHAMMAD AYUB	(Member)
R. N. MISRA	(Member-Secretary)

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

CHAPTER IV

1. The manner in which lists of varieties have been classified for purposes of assessment under the present scheme, is neither uniform nor scientific, and is not easy to follow. The existence of a large number of varieties, and the several physical forms in which each is consumed, the same variety being often known by different names in different areas, renders a comprehensive listing extremely difficult, and gives rise to considerable confusion and consequent assessment disputes.

(Paras 21, 23 and 28)

2. The present procedure does not permit movement of lower rated tobacco moving from one lower rated area to another through an intervening area where the same variety is liable to assessment at the higher rate, except on payment of the differential duty. Difficulties in movement of lower rated tobacco from one Collectorate to another, where it is similarly classified, still exist in some areas.

(Para 22)

3. Classification of varieties for assessment at different rates in different areas has contributed to the flow of trade in tobacco in certain varieties from higher rated to lower rated areas, has given unfair advantage to operators in certain areas over similar operators in other areas, and has been discriminatory against tobacco grown in certain areas resulting in accumulation of stocks and causing considerable dissatisfaction in contiguous areas where the same variety is classified differently. The size of the area prescribed in the Central Board of Revenue's letter No. 19/16-CXI/51 of the 12th July, 1951, is arbitrary and has, in practice, not been uniformly adhered to. Malpractices and evasion have occurred by smuggling of lower rated tobacco to areas where the same variety is assessed at the higher rate.

(Para 24)

4. No uniform or rational method has been followed for ascertaining the extent of actual use of multipurpose varieties consumed in biri-making, nor is any such method practicable. Most varieties are capable of use in biri-making. Disputes under the existing scheme are not capable of being objectively solved.

(Para 25)

5. Alterations and additions to notified varieties have been made too frequently creating a degree of uncertainty in the tobacco trade.

(Para 26)

6. There is no satisfactory method of denaturing tobacco so as to make it unusable for biris without at the same time affecting its quality, saleability, etc. The scheme of denaturation, therefore, has not been quite effective in checking leakage of revenue. It has also caused hardship to the trade. As a result, it has been availed only by a very small section of the trade.

(Para 29)

7. The relief contemplated in the scheme of July, 1951, has not been fully implemented.

(Para 30)

CHAPTER V

8. Various suggestions were considered.

A flat rate of duty for all tobacco, or a tariff based on the actual use of tobacco, is not practicable.

Neither a qualified nor a straightforward *ad valorem* tariff for unmanufactured tobacco is practicable under the existing conditions.

No scheme to relate the rate applicable to the extent to which tobacco has been processed is workable.

There is no valid reason for abandoning the principle of a higher rate of duty for biri and a lower rate for hooka, chewing, snuff etc. tobacco.

(Para 31)

CHAPTER VI

9. No method of classification is feasible under existing conditions which will be completely objective and fair as there is no absolutely or readily recognisable standard for capability or otherwise of any specified variety for biri-making.

It would be incorrect to classify all forms of the botanical type *Nicotiana Rustica* as incapable of use in biri-making.

Mere storage does not render tobacco incapable of use in biri-making.

No generalisation is possible as to which varieties are wholly 'chewing' types.

The only workable classification under the existing tariff is that based on the physical form of tobacco which is readily verifiable.

(Paras 33—37)

10. (a) All forms of tobacco dust, Rawa which passes through a sieve of 1/16 in. mesh or finer, uncrushed stems, and all whole-leaf varieties in the form of bundles, Judis, hanks, twists, Rassa or rope and, indeed, in any form, whether stripped or not, but in which the whole-leaf is intact, and broken bits of whole leaf tobacco incidental to its handling and packing, should be treated as incapable of use in biri-making and assessed at the lower rate if presented for assessment in these forms.

There is hardly any risk of biri types of tobacco being cured and presented for assessment in whole-leaf form to claim assessment at the lower rate. Revenue risk by processing, after payment of duty, whole-leaf types for biri-making is negligible.

(b) All broken leaf grades, and crushed stems to tobacco of size 1/16 in.—1/4 in., should be classified as capable of use in biri-making and therefore, assessable at the higher rate.

(c) As certain inferior varieties of broken leaf forms of tobacco may be adversely affected by this method of classification for assessment, relief should be provided by permitting any type of tobacco to be converted into Rawa or dust for claiming assessment at the lower rate.

(d) Ratoon of tobacco should be classified for assessment on par with the main crop of the same tobacco in the same physical form.

(Paras 39 to 41 & 44)

11. Classification based on physical form is acceptable to majority interests as an improvement over the present methods and is administratively advantageous.

(Para 42)

12. The proposed scheme of classification based on physical form will have a healthy effect on the tobacco industry and yield substantially higher revenue. There is, therefore, a case, on adoption of this basis of classification, for reduction of the gap between the two rates of duty, which would not only give relief to the broken leaf grades, but would further render unprofitable processing of lower rated whole-leaf varieties for use in biris.

(Para 45)

CHAPTER VII

13. Incidence of leakage of revenue is higher in sparse growing areas than in heavy growing tracts. While no accurate estimate can be made, the leakage is substantial. It is not serious in V.F.C. tobacco.

(Paras 47-48)

14. The special scheme operating in certain areas of U.P. and Rajasthan for licensing of growers by village revenue officials has proved a failure.

(Para 49)

15. Reduction in non-productive work-load of officers can be achieved if growers who grow tobacco only for their personal and domestic consumption are exempted from registration. The maximum size of holdings to be so exempted should depend on the average yield in the exempted area.

In other areas an improvement in control can be achieved by—

- (i) timely registration of growers;
- (ii) saving avoidable labour by reduction in the scale of compulsory verification of departmental records with local revenue records;
- (iii) accurate crop survey, using measuring tapes where necessary;
- (iv) carrying out crop surveys on an increased scale;
- (v) a proper appreciation of extent of damage due to natural occurrences;
- (vi) noting crop condition on a substantially increased scale and in a uniform and fuller way; and
- (vii) devising ways of keeping the producer informed of the official estimates of crop expectations.

(Paras 50-51)

16. The tendency of curers to under-declare their cured tobacco is on the increase. Present methods of control are not fully effective in checking leakage specially in areas where jurisdictions are unmanageable. Control over curers can be improved by—

- (i) provision of portable weighing scales to the staff;
- (ii) weighment of curer's produce on an increased scale and with due regard to the size of individual's produce, the record of weighment being also witnessed;
- (iii) speedy collection of annual returns by rationalising staff with reference to work load; and
- (iv) adoption of firm methods for penalising curers who under-declare their produce.

(Paras 52—54)

17. The allowance of duty free tobacco for personal consumption of growers should be given on a uniform scale over as large an area as possible. In very sparse growing areas a more liberal scale of allowance would lead to saving in non-productive administrative costs.

(Para 55)

18. No amendment of Rules 15, 16, 36 and 37 of the Central Excise Rules is necessary. The steadily worsening position of duty assessed remaining in arrear calls for determined efforts.

(Para 57)

19. Unwieldy jurisdictions and insufficient preventive activity are partly responsible for inadequate control over growing and curing and should be remedied.

(Para 58)

20. Transport should be provided to supervising officers in areas of high revenue potential and to primary workers with large or difficult jurisdictions for improving control and imparting confidence to the trade.

(Para 59)

21. The time limit under Rule 27 should be enhanced to 31st December, and provision made to authorise local officers to allow extensions in individual cases on the lines of the procedure for warehoused tobacco.

(Para 60)

CHAPTER VIII

22. Administrative action is necessary to minimise delays in adjudication of technical cases.

Adjudication of losses in storage of varieties normally tied in bundles, judies etc. can be done more satisfactorily if account is maintained showing both the number of judies, bundles, etc. and weight.

Unless it is established that loss is due to pilferage, variations in weight of pressed bales of V.F.C. tobacco should be ignored. Duty, if any, on losses due to pilferage should be charged at the lowest of the several rates applicable, unless it can be established that the tobacco pilfered was used in cigarette manufacture.

(Para 62)

23. Fixing uniform maximum scales for condonation of losses is impracticable in absence of common standards of quality, moisture etc.

The suggestion of not allowing any abatement for losses in tobacco warehoused has met with wide spread opposition. The present practice of condoning losses should continue but efforts should be made to improve the methods of ascertaining normal losses.

Experimental data on which adjudication of loss cases is at present done is not adequate and there is need for revision of the technique of experiments. Experimental observations should be conducted and analysed in a scientific and uniform manner in all major tobacco warehousing centres to provide more reliable guidance. Adjudication of loss cases should be done after full proper appreciation in each case of all factors that affect losses. In a minute of dissent, three Members have advocated trial of the proposed scheme under which no abatement is to be allowed except for duty on refuse etc. destroyed.

(Paras 63, 64, 68 and pages 192—197)

24. In adjudication of transit losses, the extent of moisture added at the despatching end should be taken into account, and steps should be taken to ensure that this data is available to the adjudicating officer.

(Para 65)

25. Adjudication of losses in processing under bond should be based on the results of experimental observations.

(Para 66)

26. Annual stock-taking results calculated on *pro rata* weighment are not sufficiently accurate to warrant imposition of penalties for losses not condoned. While the present technique of annual stock-taking may continue, the result of stock-taking should be noted to provide data for decision after final clearance of each lot.

(Para 67)

CHAPTER IX

27. It is unnecessary to set up separate machinery for initial decisions in technical cases.

Requiring deposit of amounts adjudged payable before consideration of an appeal is an important revenue safeguard and should remain, but the alternative of furnishing acceptable security or surety in lieu of cash-deposit should be allowed.

Taxation Enquiry Commission's recommendation for setting up a Tribunal to decide revision petitions against the Collector's and the Central Board of Revenue's appellate orders should be implemented.

[Paras 69(a) to (c)]

28. Advisory Committees of Collectors of Central Excise should be formed without avoidable delay. Formation of similar committees for Assistant Collectors and Superintendents may be considered after experience of working of Collector's committees.

Subordinate supervisory officers should have informal discussions of the industry's difficulties and specially invite grower/curer's representatives at such discussions.

[Para 69(d)]

29. The Hand Book of Tobacco Excise should be made available in Hindi and important regional languages.

[Para 69(e)]

CHAPTER X

30. There is genuine hardship arising from the State Sales (including Purchase) Tax Laws and the varying methods and practices in their administration. Repercussions of some are likely to be unfavourable to Indian Tobacco in export markets also. A solution along the lines recommended by the National Development Council will remove most of the present difficulties.

[Para 71(a, b and d)]

31. Agricultural Export Cess should be waived on samples of tobacco exported out of India.

[Para 71(c)]

32. Varying interpretations are current regarding processing operations permissible in warehouses. To remove certain obvious hardships in this matter, instructions to secure uniformity are necessary.

[Para 72 (b)]

33. Where an applicant for a warehouse licence furnishes security or acceptable surety for his bond, verification of his own solvency is an avoidable and unnecessary formality and should not be necessary.

[Para 72 (c)]

34. Requests for clearances for destruction of tobacco should be speedily attended to.

[Para 72 (d)]

35. The date of first warehousing of tobacco should continue to be shown on covering excise documents.

[Para 72 (e)]

36. Weighment Registers showing a record of all weighments done should be maintained.

[Para 72 (f)]

37. Revenue payments by cash or cheque are accepted directly at some offices of the State Bank of India. There should be similar facility at other centres.

[Para 72 (h)]

38. Stock-challenges should be so done that tobacco is not damaged.

[Para 72 (i)]

39. Delays in attending warehouses to take account of receipts and to supervise removals should be eliminated.

[Para 72 (j)]

40. Operations permissible to curers to prepare their produce for marketing should be uniformly allowed.

[Para 72 (k)]

41. Arrangements should be made urgently to ensure supply of Government stationery to Central Excise Officers.

(Para 76)

MINUTE OF DISSENT

(PARAGRAPH 63 OF REPORT)

We feel that apart from the fact that there is no provision in the Central Excise and Salt Act and Rules, 1944, under which remission of duty on losses occurring in bond could be allowed, the actual administration of the concession of abatement of duty on losses occurring in bond cannot operate smoothly. For reasons already given in the body of the report all that could be done in the working of such a scheme is to make it less unsatisfactory than at present. The working of the scheme involves considerable additional work which, from the revenue point of view, is wholly non-productive, besides being open to a variety of abuses.

2. While the practice of condonation of duty on losses occurring in bond is a long enjoyed right, the present construction of the Central Excise Act and the Rules leaves no room for doubt that this is only an administrative concession by special dispensation. The legal aspects of the matter have been fully discussed in the Board's letter F. No. 37/1/56-CX, dated the 9th July, 1956 which is reproduced in the report.

We feel that the prevalence of this concession does not necessarily make it a valid claim.

3. As regards the contention that the levy of duty on losses is inequitable and unfair, it must be remembered that the process of loss of moisture is not confined to tobacco only while it is held in bond ; this process goes on even in duty paid tobacco. Moreover, the privilege of holding tobacco under bond is not freely allowed to all persons. The grant of abatement on losses is essentially a revenue relief. But this relief is in practice available only to such persons as are permitted to store and transport tobacco under bond ; it is denied to persons who have no such facility or who are dealing in duty paid tobacco. In other words, the scheme of giving abatement for losses in bond is discriminatory in effect.

4. As to the argument that the levy of duty on losses acts as a direct tax, it has to be remembered that such losses continue to occur even after payment of duty and, unless a system for relief of duty on losses occurring in duty paid tobacco is devised, some portion of the tax-burden must necessarily be borne by every person dealing in duty paid tobacco also. Tobacco is not the only commodity which is susceptible to the effect of moisture on its weight and subjected to an excise duty. Sugar also is liable to excise duty. After tax has been paid by the manufacturers, all losses occurring in the duty-paid sugar have to be borne by the several dealers of sugar just as they derive benefits from appreciation in weight due to absorption of moisture.

5. The market price of tobacco to the consumer or manufacturer consists not only of the excise duty paid thereon but also the value of the tobacco. While, under the present system, tobacco which dries up due to natural causes is not required to bear the tax, value equivalent of such tobacco is necessarily recovered by the owner by proportionate increase in the value of tobacco actually sold. Similarly, the depreciation in value of unusable waste and refuse resulting from handling and processing of tobacco is taken into account when fixing his sale price for tobacco. We see no reason why, under a scheme which will give no abatement of duty on tobacco lost due to dryage, the tax burden relating

to natural dryage cannot similarly be passed on to the consumer as an element of the final price he pays for the tobacco. For obvious reasons, there is no substance in the plea that the levy of excise duty on losses would act as a direct tax.

6. We do not feel that there is any insurmountable difficulty in determining the rate of duty on losses in flue-cured tobacco. The extent of losses in flue-cured tobacco is not high because of the controlled conditions under which such tobacco is normally packed and stored and the present practice is to charge duty on losses at the highest of the several rates applicable. We have elsewhere discussed this question and the rate of duty leviable on the losses discovered after clearance of the entire consignment could be charged in accordance with the Committee's general recommendations. As for tobacco other than flue-cured under item 9-I(4) of the First Schedule to the Central Excise Act, since only one rate of duty is applicable and since such losses would be noticed in tobacco stored in cigarette factory warehouses, duty on the loss noticed on final clearance could be levied at the rate applicable under item 9-I(4) as at present.

7. In respect of losses occurring in other types of tobacco duty on losses noticed on final clearance would be leviable at the same rate as applicable to the tobacco in which losses occur.

8. Revenue danger from Tobacco in bond arises from the risk of clandestine substitution and surreptitious removal because, under the present scheme, excess, if any discovered over the weight first warehoused is also subjected to excise duty in the same manner as the rest of the tobacco. If no abatement is to be given for losses occurring in bond, excesses over the quantity first warehoused must necessarily be allowed clearance without subjecting them to any excise duty. This may possibly bring about new methods of frauds on the revenue by induction of contraband tobacco into the warehouse for subsequent clearance without payment of duty. We, however, feel that if any contraband tobacco is available to a trader, it would be much safer for him to dispose it of directly instead of bringing it into the warehouse, where the presence of unusually large excesses may arouse suspicion and lead to enquiries into the bonafides of the operations of such persons. One of the great merits of the scheme is that the risk of perpetration of frauds by surreptitious removal will be eliminated.

9. The only danger to revenue would, if this scheme is adopted, be from substitution. This is as much present now as it would be under the proposed scheme. Addition or substitution of foreign matter like sand, husk, etc. to make up deficiency is often noticed even now. The methods at present adopted to detect and punish such frauds will, in our opinion, be equally available to deal with this problem under the proposed scheme. A possible solution of the problem may be to withdraw the concession given under Rule 143 of the Central Excise Rules permitting destruction of unsalable waste resulting in warehouses. We, however, feel that this would be too drastic a course to adopt, specially when this would mean taxing a commodity which even by itself may not be able to command a market.

10. It is not out of place here to examine the procedure followed in this behalf on taxation of commodities imported into India. In Customs Bonded Warehouses, where rebate of duty on losses occurring in tobacco is provided for, the tobacco is either entirely under Government lock or is in practice locked jointly by the owner of the goods and the Government,

so that neither party can open the warehouse independently of the other. Even so, the abatement which is at present being allowed in such cases is by extra legal executive instructions as would be clear from the following ruling on the application of Sections 118 and 116 of the Sea Customs Act, VIII of 1878.

SECTION 118—*Dryage of tobacco in bond-remission of duty not permissible when goods cleared for home consumption*

Neither Section 118 of the Sea Customs Act nor Section 122 thereof give a power for remission of duty on account of dryage in bales of leaf tobacco between the date of bonding and the date of removal from bond for home consumption. Clearance of bonded goods for home consumption takes place under Section 110 and this is permissible only on payment of duty assessed under Section 87, (which provides for assessment of duty on the goods as they are at the time of the import and not at the time of the delivery) or altered duty under the Act.

(Law Ministry's Ruling in CBR on 515-Cus.I/38, dated the 12th July, 1938, see also para. 1 under Section 116).

SECTION 116—*Allowance for dryage in the case of bonded tobacco*

* * * * *

The Government of India consider that no allowance for the losses of weight of warehoused goods on account of dryage is admissible under the Sea Customs Act except in respect of goods mentioned in Sections 116 and 117.

The orders issued in the Commerce and Industry Department letter No. 1785-137, dated the 8th March, 1911, above, sanctioning a dryage allowance in the case of bonded tobacco are now held not to be within the letter of the law. The reference to Section 118 therein was misconceived and the Government of India is advised that Collectors of Customs have no such discretion as was there postulated. As the concession has existed for 27 years, however, the Government of India are pleased to authorise its continuance as an extra-legal executive concession pending amendment to the Act.

(G.I., F.D. (C.R.), R.Dis. No. 515-Cus.I/38, dated the 27th July, 1938)

In Canada and the United States of America also duty on goods assessable on the basis of quantity is charged on the basis of the quantity ascertained on first entry or as originally warehoused.

In the case of tobacco produced within India and kept under bond there is no provision (nor indeed is it practicable) for continuous excise supervision. There is thus all the more reason why no abatement on deficiencies noticed in such cases should be given.

11. It has not been possible for us, within the time at our disposal, to collect detailed and accurate figures of the losses and gains occurring in tobacco held under bond in any different periods, variety or parts of

the country. The following table shows, at a glance, the net losses which occurred in the year 1955 :—

TABLE NO. 12

(in 000 lbs)

I.	Bonded stock at the end of 1954	..	..	..	583,924
	Quantity first warehoused in 1955	..	..		543,663
	TOTAL	..			1,127,587
II.	Quantity cleared for home consumption in 1955	..	..		574,420
	Quantity exported out of India in 1955	..	..	..	86,660
	TOTAL	..			661,080
III.	Bonded stock at the close of 1955 :	..	..	..	415,002
	Net loss	..	..	..	51,505
					or 4.5 per cent.

The total excise duty on this loss would be difficult to work out as no data is available as to the various rates at which this loss would be liable to duty. If no abatement for losses is to be made, it would obviously mean an additional impost on the trade by a nominal amount expressed in terms of rate of duty. This contingency is mostly responsible for the widespread opposition to the suggestion. If the scheme is adopted, these losses will be effectively brought down by the warehouse owners in assembly centres and at other places ensuring that the tobacco has been fully cured and has arrived at the normal moisture equilibrium before it is brought into the warehouses. The period for which it is allowed to remain with curers may need a little adjustment specially for wet cured types but there is no reason why the scheme itself should not be tried out.

12. The greatest merit of the suggestion is the elimination of controversy about the extent of losses condoned under the present practice which not only gives rise to all manner of allegations against the administration but by the very nature of things has a discriminatory effect, engendering suspicion and distrust between the tax payer and the tax collector. We are of the view that the scheme of not allowing any abatement for losses except on refuse etc. physically identified and destroyed, is well worth a trial.

(Sd.) T. G. SHIRNAME

Member

(Sd.) M. ABU BACKER

Member

(Sd.) R. N. MISRA

Member-Secretary

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APPENDIX I

List of individuals and organizations who sent their general statement of views.

I. ALLAHABAD COLLECTORATE

1. Additional Director of Agriculture, U.P., Lucknow.
2. Uttar Pradeshiya Tambakoo Vyavosayee Sangh, Banaras.
3. Growers and Curers of Farrukhabad Area.
4. The Tobacco Merchants' Association, Kaimganj.
5. Meerut Biri Factory, Kaisarganj Road, Meerut City.

II. BARODA COLLECTORATE

1. Shri Purshottam Das Bhogilal Chhikniwala, Tilak Maidan, Gomtipur, Ahmedabad.
2. Bajuva Tobacco Merchants' Association, Bajuva, District Baroda.
3. Kaira District Tobacco Merchants' Association, Nadiad.
4. Shri Ambalal F. Patel, Editor, "The Tobacco", Ahmedabad.
5. Khatri Nirbharam Dhanji Bhai, Snuff Manufacturers and Tobacco Merchants, Jau Bhabhar, (Banas Kantha).
6. The Dohad Jhalod Tobacco Merchants' Association, Dohad, District Panchmahals.
7. President, Bhadran Tobacco Growers and Curers, Near Post Office, Bhadran. (Gujerat).

III. BOMBAY COLLECTORATE

1. The Indian Tobacco Merchants' Association, Ltd., Bombay.

IV. CALCUTTA COLLECTORATE

1. The Changrabandha Merchants' Association, Changrabandha, Cooch Behar.
2. Dinhati Tobacco Merchants' Association, P.O. Dinhati, Cooch Behar.
3. Secretary, North Bengal Hookah Tobacco Merchants' Association, Dhupguri, Jalpaiguri.
4. Secretary to the Government of West Bengal, Calcutta.

V. DELHI COLLECTORATE

1. Hussain Bux Abdul Majid, President, Biri Manufacturers' Association, Girdikot, Jodhpur.
2. President, Tobacco Merchants' Association, Jodhpur.
3. Biri Manufacturers of Churu, Rajasthan.
4. Biri Manufacturers of Tonk, Rajasthan.
5. Biri Manufacturers of Sardar Sahar, Rajasthan.
6. Biri Manufacturers of Ladnun, Rajasthan.
7. Shri Pukhraj Bhandari C/o Pukhraj Padamraj, Tobacco Merchants, Tripolia Bazar, Jodhpur.
8. Biri Manufacturers of Chippa Baroda, Rajasthan.
9. Biri Manufacturers of Kotha, Delhi.
10. President, Biri Manufacturers' Association, Bundi, Rajasthan.
11. Secretary, Tobacco Merchants' Association, Delhi.
12. Shri M. G. Das Chaurasia, Khari-Baoli, Delhi.

APPENDIX I—*contd.*

VI. HYDERABAD COLLECTORATE

1. Shri M. Ramachandra Rao Naidu, Consultant, Central Excise, 34/233, Peta, Kurnool.

VII. MADRAS COLLECTORATE

1. Secretary, Indian Central Tobacco Committee, Madras.
2. Shri N. Ramaswamy, Tobacco Commission Agent and Broker, Madurai.
3. Tobacco Growers of Certain Villages of Mysore State.
4. Shri K. A. L. Venugopalan, P.O. Dhalavaipet, South India.
5. M/s A. Lakshma Chettiar & Sons, P.O. Dhalavaipet, S. India.

VIII. NAGPUR COLLECTORATE

1. Madhya Pradesh Tobacco Dealers' Association, Miloniganj, Jabalpur.
2. Director of Agriculture, Madhya Pradesh, Nagpur.
3. President, Biri Merchants' Association, Damoh, M.P.
4. Rao Bahadur D. D. Datar, Advocate, 341, Tikekar Road, Dhantoli, Nagpur.



APPENDIX II

List of individuals and organizations who submitted Memoranda to the Committee.

I. ALLAHABAD COLLECTORATE

1. The Uttar Pradeshiya Tambaku Vyavosayee Sangh, Banaras.

II. BARODA COLLECTORATE

1. The Bajwa Tobacco Merchants' Association, Bajwa.
2. The Gujerat Tobacco Merchants' Association, Anand and The Nadiad Tobacco Merchants' Association, Nadiad.
3. Shri D. S. Patel of Vaso.
4. The Ahmedabad District Growers.
5. Ahmedabad Bidee Manufacturing Merchants' Association, Ahmedabad.

III. BOMBAY COLLECTORATE

1. The Agricultural Produce Market Committee, Sangli.
2. Delegation of Growers of Islampur.
3. The Greater Bombay Tobacco Merchants' Mandal, Kurla, Bombay.

IV. CALCUTTA COLLECTORATE

1. The Joint Director of Agriculture, Marketing Branch, Calcutta.
2. M/s. Surendra Nath Nandy (Private) Ltd., Calcutta.

V. DELHI COLLECTORATE

1. Tobacco Merchants, Jodhpur.
2. The Mewar Tobacco Merchants' Association, Sanwar.
3. Registrar, Co-operative Societies, Ajmer.
4. The Tobacco Biri Factory Owners' Association, Kaisarganj, Ajmer.

VI. HYDERABAD COLLECTORATE

1. The East Godawari Market Committee, Rajahmundry.
2. The Indian Tobacco Association, Guntur.
3. The Tobacco By-products Association, Guntur.
4. The Director of Agriculture & Fisheries, Andhra State, Madras.
5. Shri Gogineni Nageswara Rao on behalf of the Andhra Tobacco Association, Eastern Street, Tadi-konda, Guntur District.
6. The Guntur Tobacco Market Committee, Guntur.
7. Shri L. S. V. Ranga Rao of Guntur.
8. The Tobacco Merchants' Association, Sattanapalle.
9. Sattanapalle Taluk Tobacco Ryots' Association.
10. Guntur District Country Chewing Tobacco Growers' Association, Guntur.
11. Residents of Village Veerannapalam, Bapatla Taluq, Guntur.
12. Shri O. S. A. Petchi Mohdeen, Tobacco Merchant & Examiner, Illupur, P.O. Pudukotti, Trichinapalli District.
13. Central Excise Licensees of Bandarapalle Range, Guntur.
14. Ryots & Merchants of Inkole.

APPENDIX II—*contd.*

15. Tobacco Growers of Ankireddipalam Vill., Distt. Guntur.
16. Villagers of Tandikonda.
17. Ryots of Vinjanampadu Village.
18. Tadikonda Growers.
19. Tobacco Growers of Vengalayapalem.
20. Virginia Tobacco Growers/Curers, Thullur Range.
21. The Country Chewing Tobacco Association, Inkolu.
22. Tobacco Dealers of Inkole area.
23. The Indian Tobacco Dealers' Association, Chilakalurpet.
24. The Parchur Firka Flue Cured Virginia Tobacco Growers' and Curers' Association.
25. Sarraj Narashimha Rao, Tobacco Exporter, Member of Indian Chamber of Commerce, Guntur.
26. The Guntur District Country Tobacco Growers' Association, Inkolu.
27. The Andhra State Tobacco Growers' Association, Arundelpet, Guntur.
28. The Andhra Tobacco Traders' Association, Parchur.
29. The Narasaraopet Taluq Tobacco Growers' Association, Chilakalurpet.
30. The Biri Merchants' Association, Guntur.
31. Shri Kommineni Venkatasubbaiah & Tirupathaiah of Village Visadala.
32. Appikatla Kottaiah of Village Visadala.
33. President of Siripuram Village.
34. Tobacco Producers of Irukupalam Village.
35. Sattanapalli Taluq Ryots' Association.
36. Shri S. Jambulingam, Thayampalayan, P.O. via Erode.
37. Shri B. S. Shivappa Setty, Tobacco Merchant & Commission Agent, & President, Taluk Congress Committee, Basavapatna, Arkalgod Tk. Distt., Mysore State.
38. Karumandur Tobacco Merchants' Association, Karumandur, Gobichettipalayam Tk.

VII. MADRAS COLLECTORATE

1. The Tobacco Beedi Leaves Merchants' Association, Fort Cochin.
2. Tobacco Merchants' Association, Coimbatore.
3. Coimbatore Biri Tobacco Merchants' Association, Coimbatore.
4. The Sundakhamuthur Tobacco Merchants' Association, P.O. Sundakhamuthur, Distt. Coimbatore.
5. Coimbatore Jilla Tobacco Merchants' Association, Erode, District Coimbatore.
6. The Bhavani Tobacco Merchants' Association, Bhavani, Distt. Coimbatore.
7. The Malabar Biri Tobacco Merchants' Association, Palghat.
8. The Growers of Arsikeri Taluq, Bangalore.
9. The Andhra Chamber of Commerce, Madras.
10. The Cigar Manufacturers' Association, Tiruchirapalli.
11. The Nadu Palayam Tobacco Merchants' Association, Nadu Palayam, District Coimbatore.
12. The Swastik Tobacco Factory, Vedaraniyam, South India.

VIII. NAGPUR COLLECTORATE

1. The Biri, Biri Leaves & Tobacco Merchants' Association, Gondia.
2. The Biri & Tobacco Merchants' Association, Nagpur.

IX. PATNA COLLECTORATE

1. The Tobacco Merchants of Patna City.

APPENDIX III

Text of Speech of Shri A. C. Guha, Minister for Revenue and Defence Expenditure

Mr. Chairman and Members of the Committee,

I thank you all for giving me this opportunity of inaugurating this conference so that our labours may be considerably lightened by your labours. We expect that the Committee would discharge its work efficiently and also effectively so that the department concerned may be relieved of some of the difficulties. It is just for transferring a portion of our departmental difficulties, on this Committee, not on a temporary basis, but for a permanent solution of the difficulties, that we have invited you all in joining this Committee.

You all know the genesis of this Committee. Because of the recommendations of the Taxation Enquiry Commission, we have set up this Committee and the members of this Committee have been selected primarily on the recommendations of the State Governments concerned. We have tried to select representatives both of the growers and of traders and also of the general public. Though the duty is collected from the growers or from the traders, ultimately the duty is transferred to the consumers, and that is why you have to keep in view certain categories of persons paying duty as consumers.

I should, in the beginning, say that this is the most difficult central revenue source. The measure of the difficulty can be imagined if I put some facts. The duty collected from tobacco excise is about Rs. 25 crores annually and we have to engage about 5,000 officers for this purpose, and the total number of assesseees would be over 14 lacs, whereas for income-tax, I think, we collect about Rs. 170 crores annually from about 5 or 6 lacs of people, and in the Customs, people paying duty of about Rs. 150 crores would be still more less. So you can understand the difficulty of the work spread over the entire country in the remotest villages. In certain areas tobacco is cultivated in, what is called, sparsely cultivated areas, and in certain areas it is thickly cultivated. Then our range officers, or Inspectors, are to go out in the villages and to make assessment. It is not possible to make a physical weighment of the produce of 14 or 15 lacs of growers. So it is just a sort of sample survey. Much scope is, therefore, left to the Inspectors' commonsense and hence his mistakes; and the Deputy Superintendents and rarely also the Superintendents may intervene. I do not rule out the chance of our officers indulging in corrupt practices; but even without having much emphasis on that aspect, I think, I can say that the nature of the work makes it so difficult that it leaves wide scope for lapses, irregularities, and some amount of hardship and harassment also.

It is also primarily a psychological factor. You can just imagine a tenant paying land revenue of Rs. 5, Rs. 6 or Rs. 10 for a plot of land, and he will have to pay almost hundred times more as excise duty on tobacco on that patch of land. Land revenue may be Rs. 5, but the excise duty on tobacco to be collected from him may be Rs. 500. Though it is not ultimately that the grower pays the excise duty, yet the immediate payment in most cases is to be got from the tenant growers. So he feels somewhat aggrieved and also, if I can use that term, somewhat exploited. The Government takes so much out of his labour that we should not, and I would beg of this Committee not to forget the psychological factor. We have been receiving lots of complaints primarily out of this psychological factor.

This duty came into force during the war time and like many other innovations in social orders and in administrative things, this is also a product of the war emergency and it was put into operation in 1943. Since then and upto

1951 we had been assessing duty on the basis of intended use of the tobacco, but the difficulty was that the declared intention may not be adhered to ultimately. From the immediate purchaser, the tobacco may pass on through 2 or 3 other hands before it is ultimately used for any definite purpose or consumption. So there was much scope for evasion for the intended use. Upto 1951, that was the standard of assessment of duty.

Then in the 1951 Budget, the Finance Minister declared a flat rate on capability basis. You perhaps know that there were 2 primary categories of tobacco—flue-cured and non-flue-cured. There was not much difficulty about the flue-cured tobacco, that is of the Virginia quality, and your Chairman knows much about that and I think the Members also know much of that thing. There is not much difficulty in collecting duty on the flue-cured tobacco. Primarily it comes from manufactured cigarettes from some concentrated areas. But the difficulty arises in case of non-flue-cured tobacco. This falls into 2 different categories—intended for or capable of being used for manufacture of biri, and not capable of use for manufacture of biri, and used for other purposes, e.g., snuff, hookah, etc. The difference in duty in the biri and non-biri tobacco was considerable. I think at one stage in 1951, for biri tobacco the duty was -/14/- and for non-biri it was -/6/-. So this gap of difference between the two uses of the same tobacco would naturally leave much scope for evasion, and so Government tried to impose a flat rate of -/8/-. But to make up the loss of the revenue, the Government also proposed a duty on manufactured biri. The Parliament did not accept the proposal, and in the final stage of the Finance Bill that was changed. Anyhow, according to the capability standard, any tobacco that may be capable of being used for biri would be charged a higher rate of duty, and that which was not capable for the manufacture of biri would be charged a lower rate. But there was no fixed standard for capability. There are some regional differences also. We find same categories of tobacco which though not primarily used for manufacture of biri, to a certain extent, to a certain percentage, may be used for manufacture of biri. So we have to leave some discretion to the local officers. Any variety of which only upto 5% may be used for the manufacture of biri should be charged a lower rate of duty as non-biri tobacco, but any tobacco of which 25% may be used for manufacture of biri should be charged higher rate. Then we are left with a gap of 5 to 25 per cent. There the discretion of the officers concerned is the only criterion. The officers of one Collectorate may differ from the officers of other Collectorates. The use may be different in two adjoining villages. Two different Collectorates may have different views on the same category of tobacco, which would have to pay naturally different duties. So these are some of our problems and these difficulties were represented to the Taxation Enquiry Commission. The Taxation Enquiry Commission has finally approved the capability standard. It would seem that the capability criterion has greater chance of being applied objectively, but they have also pointed out some difficulties and they have suggested that since last three years the department has been working on this basis, they might have got some data, some experience, to review the whole position and thus to eliminate any possibility of undue harassment as also wide differences in the two areas and scope for evasion. To help the Government in reviewing this position, they have suggested an Expert Committee to be set up. This is the Committee we have set up. But before I can ask you to turn to your work, I think I should mention some of the difficulties in the tobacco trade.

Tobacco is a cash crop and when there was a boom in the market, agriculturists went in for heavy cultivation and the result was that from 1950 to 1954 the cultivation has been growing almost year by year. And there was huge over-production in 1954. We also had considerable carry-over from the previous years. Besides this, there was another difficulty—the stoppage of

export market. Pakistan practically stopped taking any tobacco from us and that was our biggest market. Ceylon also more or less stopped taking our tobacco and so did other Asian countries. Practically, we have lost our total export market. So stoppage of this export market and this over-production naturally resulted in huge accumulation. Last year or in 1954 the tobacco market was very dull and that caused immense hardship to the growers and also the traders. Government, though eager to collect the revenue, cannot afford the growers and the traders to lose heavily. So from 1954 April upto the end of the last year, we have been giving different concessions to the growers. In April 1954, we first announced some concession which was further reduced in July 1955—reducing the duty first from -/14/- to -/10/6 and again to -/7/-. In February 1955 also we reduced duty of another variety of tobacco which was more or less confined to Andhra area. Your Chairman knows much about that and also about the demand for the reduction of that duty. In all, the Government had to lose about Rs. 4½ crores, but I should also say that this is calculated on the basis that all the tobacco would be sold at a fixed rate and duty collected thereon. But that was a problematical thing because in the market than prevailing it was not expected that the tobacco would be sold. But anyhow, we gave that concession. I think our purpose has been fulfilled to a great extent. The stock of the tobacco on which the concession was given, came down from, I think, 320 to 16 million lbs. So the purpose of the Government in giving this concession has more or less been fulfilled; and we expect this year the acreage of tobacco cultivation has gone down.

Last year or, I think, at the end of 1954 we sent a delegation to China to explore export market. Your Chairman was also the leader of the delegation and China took about 80 million lbs. of tobacco from us. And there is an Export Promotion Committee for tobacco also. That Committee is trying for export markets and we feel the tobacco trade or the cultivators have more or less come out of the crisis. With some controlled cultivation, and if we can open up new foreign markets, I think the tobacco trade will be stabilised.

Before concluding I should say that 40% of the excise duty collected on tobacco goes to the State Governments. So it is not only for the Central Government revenues alone that we undertake all this trouble. It is for the State Governments' interest also; but ultimately it is more or less the same thing whether the revenue goes to the Central Government or the State Government. It amounts to the same thing as far as the development of the country is concerned. For the development of the country, as you know, in the Second 5-Year Plan, we have put Rs. 4,800 crores that for the Centre as also for the States.

We should see that the trade is not killed. The goose that lays golden eggs may not be killed. So we want the traders and the growers to be prosperous and prosperous enough to be able to pay the tax, which ultimately, however, is paid by the consumer.

I am rather surprised that there is no propaganda for consumption of tobacco yet. As I have stated already, about 38 crores is collected by Central Government as excise duty on tobacco Rs. 25 crore on raw tobacco, Rs. 9 crores from excise on manufactured cigarettes, then also customs duty of about Rs. 3 or 4 crores—about Rs. 37 to 38 crores annually. Then the State Governments collect sales tax also amounting to Rs. 10 to 12 crores and get some licence fees from the traders. So really it comes to about Rs. 50 crores annually. We have organised tea propaganda and coffee propaganda; I think the Chairman should pay some attention to tobacco propaganda also. He may find tobacco is not so harmful to the human body; or that it has also got some beneficial points for health. But I should plead my absolute ignorance for that. Though I collect the duty, I do not contribute a pie for smoking tobacco. Anyhow I welcome you to undertake this duty.

As I have said in the beginning, this is just to get our labour lightened by your labour. That is why we have invited you all here. This may lighten our arduous task, spread over the remotest parts of the country. I should also mention that the lot of our Range Officers, who are working in different parts of the country, is not at all an enviable one. The living conditions are quite bad, and the tenants normally consider them to be somewhat unwanted and unwelcome intruders. With that psychological atmosphere of hostility, and with bad living conditions, they have to work. I do not claim that they are perfect human beings, but still I think we should take some humane view of their difficult task to be worked in difficult conditions; and I would ask you all to solve this knotty problem.



APPENDIX IV

List of organizations and individuals to whom the Questionnaire was issued.

(i) ASSOCIATIONS

I. ALLAHABAD COLLECTORATE

1. The Banaras Surti Veopari Sangh, Banaras.
2. The Uttar Pradeshia Tambakoo Vyavosayee Sangh, Banaras.
3. The Tobacco Dealers' Association, Naughara (Ramganj), Kanpur.
4. The Tobacco Merchants' Association, Chatta Bazar, Agra.
5. The Farrukhabad Tobacco Dealers' Association, Farrukhabad.
6. The Tobacco Merchants' Association, Kaimganj, Distt. Farrukhabad.
7. The Tobacco Dealers' Association, Moradabad.
8. The Tobacco Dealers' Association, Aishbagh, Lucknow.
9. The U.P. Tobacco Dealers' Association, Banaras.
10. The Tobacco Dealers' Association, Laharpur, Sitapur Distt.
11. The Tobacco Merchants' Association, Kanaulj.
12. The Biri Patti Vyapari Sangh, Vindhya Pradesh, Satna.
13. Tobacco Dealers' Association, Muzaffarnagar.
14. Madanlal Gupta, Secretary, Tobacco Association, Saharanpur.
15. Tobacco Beopari Kisan Sangh, Tobacco Dealers & Curers' Association, Kaimganj (U.P.)

II. BARODA COLLECTORATE

1. The Ahmedabad Biri Manufacturers Association, 2471/5, Municipal Building, Manek Chowk, Ahmedabad.
2. The Ahmedabad Gadaku Tobacco Manufacturers' Association, Gomti-pur, Chhikniwala Estate, Ahmedabad-10.
3. The Ahmedabad Tobacco Merchants' Association, Hathipura, Ahmedabad.
4. The Bidi Tobacco Merchants' Association, Anand, Distt. Kaira.
5. The Gujrat Saurashtra Tobacco Bidiies and Snuff Merchants' Association, 2471/5, Municipal Building, Manek Chowk, Ahmedabad.
6. The Gujrat Tobacco Merchants' Association, Anand, Distt. Kaira.
7. The Kheda Jilla Khedut Sangh at & P.O. Boriavi, Distt. Kaira.
8. The Nadiad Tobacco Merchants' Association, Near Santram Tower Nadiad, Distt. Kaira.
9. The North Gujrat Bidi and Tobacco Merchants' Association Ltd., Hingiachar, Patan (N.G.).
10. The Surat City Tobacco and Biri Merchants' Association, Surat.
11. The Unava Khedut Sangh at & P.O. Unava (N.G.), Distt. Surat.
12. The Vapi Tobacco Merchants' Association, Vapi, Distt. Surat.
13. Shri M. M. Patel, President, Broach Tobacco Merchants' Association, Natopore Bazar, Broach.
14. The Baroda Tobacco Merchants' Association, Baroda, P.B. No. 48, Baroda.
15. The Bajwa Tobacco Merchants' Association, Bajwa, Distt. Baroda.
16. The Dabhoi Tobacco Merchants' Association, Dabhoi.
17. The Dohad Jhalod Tobacco Merchants' Association, Dohad, Distt. Panchmahal.

APPENDIX IV—*contd.*

18. The Godhra Tobacco Merchants' Association, Godhra, Distt. Panchmahal.
19. The Petlad Tobacco Merchants' Association, Petlad Distt. Kaira C/o. Kanti Lal Gordhan Bhai Patel, opposite N. K. High School, Malifalia, Petlad.
20. The Dharmaj Tobacco Merchants' Association, Dharmaj *via* Anand, Distt. Kaira.
21. The Zarola Tobacco Merchants' Association, Zarola, Distt. Kaira.
22. The Umreth Tobacco Merchants' Association, Umreth, *via* Anand, Distt. Kaira.
23. The Chikhodra Tobacco Merchants' Association, Chikhodra, Distt. Kaira.
24. The Gujrat Saurashtra Tobacco Biri Merchants' Association, Bawa Latif's Gali, Three Gates, Ahmedabad.
25. The Sanand Tobacco Merchants' Association, Sanand, Distt. Viramgam.
26. The North Gujrat Tobacco Merchants' Association, Unawa *via* Kalol (N.G.).
27. The Kaira District Khedut Sangh C/o Gujrat Khedut Sangh, Gandhi Sevagram, Ajwa Road, Baroda.
28. The Bombay State Growers' Association, Patel Society, Ellis Bridge, Ahmedabad.
29. The Rajpipla Tobacco Merchants' Association, Rajpipla, Distt. Broach.
30. The North Gujrat Biri and Tobacco Merchants' Association Ltd., Patan, Hinglajhar, Patan (N.G.).
31. Shri Purshottam B. Patel, President, Tobacco Merchants' Association, Gandhi Bazar, Broach.
32. The Kaira District Tobacco Merchants' Association, Station Road, Nadiad.
33. Shri Ishwarbhai B. Patel, Growers Group, Kural Taluk Badra, Distt. Baroda.
34. The Ahmedabad Biri Merchants' Association, Ahmedabad.
35. Shri Khatri Nirbharam Dhanji, Snuff Manufacturers and Tobacco Merchants, Bhabhar (*via* Palampur), Distt. Banaskantha, (Bombay State).
36. The Rajkot Biri Leaf Tobacco Merchants' Association, Rajkot (Bombay State).
37. The Federation of Gujrat Mills and Industries, Ramesh Chandra Dutta Road, Baroda-1.
38. Shri Dadubhai M. Amin., Patel Society, Ellis Bridge, Ahmedabad. (President, Gujrat Tobacco Growers' Association).
39. Shri Rambhai U. Patel, Secretary, Gujrat Khedut Sangh, Gandhi Sevagram, Pani Gate, Ajwa Road, Baroda.
40. Shri Ambalal Becharbhai Patel, Secretary, Anand Taluk Khedut Sangh, Bhayas Kharki, Karamsad (*via* Anand).
41. Shri Bhailalbhai Bhikhabhai Patel, President, Kaira District Khedut Sangh, Boriavi (*via* Baroda).
42. Secretary, 'Vatadra' Farm, Post Chemical Industries, Baroda-3.
43. All Saurashtra Kutch Tobacco Merchants' Association, Bhavnagar, Danapith, Bhavnagar.
44. The Porbandar Tobacco Merchants' Association, Porbandar, Saurashtra.
45. The Jamnagar Tobacco Merchants' Association, Jamnagar, Saurashtra.

APPENDIX IV—*contd.*

III. BOMBAY COLLECTORATE

1. The Merchants' Association, Jaysingpur, at Post, Jaysingpur.
2. The Sangli Tobacco Merchants' Association, Sangli, Distt. South Satara.
3. The Malkapur Merchants' Association, at Post Malkapur, Distt. Kolhapur.
4. The Kolhapur Tobacco Merchants and Biri Manufacturing Association, Sanglikar Biri Shop, near Bazar Gate, at Post Kolhapur, Distt. Kolhapur.
5. The Merchants' Association, Gadlinglaj, at Post Gadlinglaj, Distt. Kolhapur.
6. The Northern Thana District Tobacco Dealers' Association, Palghar.
7. The Bombay Tobacco Manufacturers' Association, 87/89, Sankali St., Dhobi Ghat, Bombay-8.
8. The Greater Bombay Tobacco Merchants' Mandal, Tobacco-wala Building, Kurla (Central Railway).
9. Shri Upanagar Tambaku Vepari Mandal, Mukund House, Andheri (Western Railway).
10. Indian Tobacco Merchants' Association, Bombay, Tobacco Warehouse, Clive Road, Bombay-9.
11. The Thana Colaba Tobacco Merchants' Association, Kalyan.
12. Shri Hasan Ali Saleh Mohd., Convener, All India Tobacco Conference, Bundeally Building, Vallabh Bhai Patel Road, Dongri, Bombay-9.
13. Merchants' League, Nipani, at Post Nipani, Distt. Belgaum.
14. The Belgaum Tobacco Merchants' Association, Belgaum, at Post Belgaum, Distt. Belgaum.
15. Tobacco Merchants' Association, Bagalkot, at Post Bagalkot, District Bijapur.
16. Tobacco Merchants' Association, Dharwar, at Post Dharwar.
17. Tobacco Growers & Merchants' Association, Shigli, at Shigli.
18. Bidi Manufacturers' Association, Halwai Galli, Sholapur C/o Shiva-karan Mongilal, Sholapur.
19. Biri Manufacturer's Association, Kirana Road, Barse.
20. The Tobacco Merchants' Association, Pandharpur.
21. The East and West Khandesh Tobacco Merchants' Association, Amalner.
22. Poona and Poona District Tobacco Merchants' Association, Bhawani Peth, Poona-2.
23. Tamakhu Vyapari Mandal, Sangamner Distt. Ahmednagar.
24. Biri Tombakh Viyapari Sangh, Girgaum Road, Bombay No. 4.
25. Bombay Bidi Manufacturers' Association, 142, Garth-wate House, Delisle Road, Bombay-13.
26. Greater Bombay Retail Tobacconists Association, Krishna Building, Golpitha, Bombay No. 4.
27. Panvel Tobacco Association, at Post Panwel, Distt. Kolaba.
28. Mahad Tobacco Merchants' Association, at Post Mahad, Distt. Kolaba.
29. Bombay Shroffs' Association Ltd., 233, Shroff Bazar, Bombay-2.
30. Shri Shiddeshwar Tobacco Merchants' Association, Baramati, District Poona. (Bombay State).

IV. CALCUTTA COLLECTORATE

1. Burdwan Tobacco Merchants' Association, Burdwan.
2. The Dhuliyar and Aurangabad Biri Tobacco Merchants' Association, P.O. Dhuliyar, Distt. Murshidabad.

APPENDIX IV—*contd.*

3. The Beldanga Tobacco Dealers' Association, Beldanga, Distt. Murshidabad.
4. The Raniganj Tobacco Merchants' Association, P.O. Raniganj, District Burdwan.
5. The Biri Tamakoo Pata Byabasyee Samiti, P.O. Krishnagar, District Nadia.
6. All India Biri Manufacturers' Association, 51, Ezra Street, Calcutta.
7. The Hookah Tobacco Merchants' Association, 40, Strand Bank Road, Calcutta-6.
8. The Calcutta Biri Tobacco Merchants' Association, 1, Rupchand Roy Street, Calcutta-7.
9. The Changrabandha Merchants' Association, Changrabandha, Cooch-Bihar.
10. The Dinhata Tobacco Merchants' Association, P.O. Dinhata, Cooch-Bihar.
11. The North Bengal Hookah Tobacco Merchants' Association, Dhupguri, District Jalpaiguri.
12. The Mathabang Tobacco Association, Mathabhanga, Cooch-Bihar.
13. The Dhuliyani Biri Tobacco Merchants' Association, Dhuliyani Ganges, P.O. Murshidabad (W. Bengal).
14. The Ganjam District Tobacco Merchants' Association, Berhampur.
15. The Tobacco Merchants' Association, P.O. Falakata, Distt. Jalpaiguri.
16. The Tobacco Merchants' Association, P.O. Alipurduar, Distt. Jalpaiguri.
17. The North Bengal Hookah Tobacco Merchants' Association, Cooch-Bihar.
18. The Cooch-Bihar Biri Tobacco Merchants' Association, Cooch-Bihar.
19. The All India Biri Tobacco Merchants' Association, 1, Rupchand Roy Street, Calcutta.
20. The Indian Cigar Industries Association, 44, Dharamtolla Street, Calcutta.
21. The Rayagada Tobacco Merchants' Association, P.O. Rayagada, District Koraput (Orissa).

V. DELHI COLLECTORATE

1. The Snuff Manufacturers' and Wholesale Dealers' Association, Maharajganj, Srinagar (Jammu and Kashmir State).
2. The Tobacco Dealers' Association, Jammu (Jammu and Kashmir State).
3. The Tobacco Dealers' Association, Palampur (PEPSU).
4. The Tobacco Wholesale Dealers' Association, Kotah City (Rajasthan State).
5. The Kisan Sabha, Deogarh (Rajasthan).
6. The Mewar Tobacco Association, Sanwar, Fatehnagar, (Rajasthan).
7. The Fatehnagar Tobacco Association, Fatehnagar (Rajasthan).
8. The Tobacco Merchants' Association, Jodhpur (Rajasthan).
9. The Biri Manufacturers' Association, Tripolia Bazar, Jodhpur.
10. The Biri Manufacturers' Association, Girdikot, Jodhpur.
11. The Tobacco Dealers' Association, Karnal (East Punjab).
12. The Tobacco Dealers' Association, Kalka (East Punjab).
13. Shri K. D. Sharma, Secretary, Farmers Forum, India, Sundersons Court, 16A, Ajmeri Gate Extension, New Delhi-1.
14. The Tobacco Dealers' Association, Ambala City (East Punjab).
15. The All Punjab Tobacco, Biri, Cigarettes and Naswar Merchants, Ambala (East Punjab).

APPENDIX IV—*contd.*

16. The Tobacco Dealers' Association, Amritsar (East Punjab).
17. The Ludhiana Tobacco Dealers' Association, Ludhiana (East Punjab).
18. The Tobacco Dealers' Association, Basti Sheikh, Jullundur (East Punjab).
19. The Tobacco Biri and Cigarette Dealers' Association, Fazilka (East Punjab).
20. The Snuff Merchants' Association, Giddarbaha (East Punjab).
21. The Bidi and Tobacco Merchants' Association, Beawar (Ajmer State).
22. The Tobacco and Biri Manufacturers' Association, Nisarabad (Ajmer State).
23. Tobacco Merchants' Association, 346, Katra Janglimal, Chawri Bazar, Delhi.
24. Cigarettes, Biries, Tobacco Sellers' Union, Ambala Cantt., Punjab.

VI. HYDERABAD COLLECTORATE

1. The Tobacco Traders' and Growers' Association, Alampur, District Raichur.
2. The Beedi Manufacturers' and Tobacco Merchants' Association, Nizamabad.
3. The Tobacco Merchants' Association, Mahboobnagar.
4. The Hyderabad Trade Association, Abid Road, Hyderabad.
5. The Hyderabad Dn. Tobacco Merchants' Association, Falkhana, Subhas Nagar, Hyderabad.
6. The Andhra Tobacco Association, Eastern Street, Tadi-konda, District Guntur (Andhra State).
7. The Country Tobacco Merchants' Association, Eluru, West Godavari Distt.
8. The East and West Godavari District Tobacco Growers' Association, Rajamundry, East Godavari District.
9. The Retail Tobacco and Cigar Manufacturers' Association, Eluru, West Godavari District.
10. The Ellore Wholesale Tobacco Merchants' Association, Ellore, West Godavari District.
11. The Indian Tobacco Association, Kothapet, Guntur.
12. The Indian Tobacco Dealers' Association, No. 4, Main Bazar, Chila-kaluri Peta, Guntur District.
13. The Kakinada Tobacco Dealers' and Cigar Manufacturers' Association, Rajamundry, East Godavari District.
14. The Palakollu Tobacco Merchants' Association, Door No. 1/104, Palakol, West Godavari District.
15. The Reddipalli Agraharam Tobacco Merchants' Association, Reddipalli, Agraharam, Bhemunipatnam TK; Vishakapatnam District.
16. The Samalkota Peddapuram Tobacco Merchants' Association, Samalkota, East Godavari District.
17. The Vishakapatnam Tobacco Merchants' Association, Tarigopetta St., Vishakapatnam.
18. The Vijayawada Tobacco, Beedi and Cigarette Wholesale Merchants' Association, Nadipatiwari Street, Vijayawada.
19. The Tobacco Dealers' and Beedi Manufacturers' Association, Kurnool.
20. The Country Tobacco Merchants' Association, Sompeta, Distt. Srikakul.
21. The Sompeta Taluk Tobacco Merchants' Association, Sompeta, Distt. Srikakul.
22. The Srikakulam Tobacco Merchants' Association, Srikakulam.

APPENDIX IV—*contd.*

23. The Ichapuram Tobacco Merchants' Association, Ichapuram, Distt. Srikakulam.
24. The Country Tobacco Merchants' Association, Ramagopal Street, Vijayawada-1.
25. The District Ryots' Association, Guntur.

VII. MADRAS COLLECTORATE

1. The Tirunelveli Jilla Puhaili Vyaparigal Sangam, Tirunelveli (Travancore Cochin State).
2. The Tiruvannamalai Betlenut, Bidi, Cigarette Merchants' Association, Periakadai Street, Tiruvannamalai.
3. The Tobacco Merchants' Association, Palladan (Madras State).
4. The Tobacco Merchants' Association, Nadupalayam Sular.
5. The Bhavani Taluk Tobacco Merchants' Association, 8/4, Bazar Street, Bhavani, District Coimbatore.
6. The Erode Tobacco Merchants' Association, Erode, District Coimbatore.
7. The Coimbatore Tobacco Merchants' Association, Coimbatore.
8. The Pugailai Vyaparigal Sangs, No. 22/660, Range Godown Street, Coimbatore.
9. The Puliyampatti Tobacco Merchants' Association, Puliyampatti.
10. The Tobacco Merchants' Association, Nurumandur, Govichetti-palayam (District Coimbatore).
11. The Tobacco Merchants' Association, Sathyamanglam.
12. The Chittdu Pugailai Varthaga Sangam, Vaniya Chettiar Street, Chittode Post (*via*) Erode.
13. The Coimbatore Jilla Pugailai Varthagargal Sangam, No. 416, Netaji Road, Erode (District Coimbatore).
14. The Erode Pugailai Varthagar Sangam, D79, Lord Napier Street, Erode, District Coimbatore.
15. The Kurumandur Pugayilai Varthagar Sangam, Gobi-chettipalayam, District Coimbatore.
16. The Koppanurpudur Pugayilai Varthaga Sangam, Koppodur-pudur, Keppanurpudur, Pollachi Taluk, Coimbatore District.
17. The Kurumandur Pugailai Varthagargal Sangam, Kurumandur, Gobi-chettipalayam Taluk, Coimbatore District.
18. The Tobacco Merchants' Association, Poduk Kottai.
19. The Kasargod Taluk Tobacco Growers' Association, Post Pallikere, South Kanara District.
20. The Tobacco Merchants' Association, Vendasandur *via* Dindigal, District Madurai.
21. The Madura Ramnad Tobacco Merchants' and Manufacturers' Association, No. 7, Samisaunadhi Lane, Madurai.
22. The Virudhunagar Tobacco Merchants' Association, 69, P.C. Chidambaran Nadar Street, Virudhunagar.
23. The Srivilliputhur Taluk Tobacco Merchants' Association, Nadar Street, Krishnamarajapalayam, Rajapalayam.
24. The Madurai Bidi Cigarette Wholesale Merchants' Association, No. 63, Tehsildar, Pallivasal Street, Madurai.
25. The Vasandur Vasayilai Varthagargal Sangam No. 73, Ward Three, Vendasandur, Madurai District.
26. The Madras Provincial Tobacco Merchants' Association, Palakarai, Tiruchirapalli.
27. The Cigar Merchants' Association, Woriyur, Tiruchirapalli.
28. The Tobacco Growers' Association, Vedaranyam, Tanjore District.
29. The Tobacco Merchants' Association, Paramathi.
30. The Tobacco Merchants' Association, Karur.

APPENDIX IV—*contd.*

31. The Tobacco Merchants' Association, Aravakurichi.
32. The Madras Snuff and Tobacco Merchants' Association, No. 58, Parish Venkatachala Iyer Street, Madras.
33. The Madras Provincial Beedi Factory Owners' Association, No. 55, Basin Bridge Road, Washer Manpet, Madras.
34. The Tobacco Merchants' Association, No. 12, Varadamuthiappam Street, George Town, Madras.
35. The Tindivanam Wholesale Merchants' Association, S. S. Abdul Latif Sahib (Secretary), Tindivanam.
36. The Taluk Tobacco Merchants' Association, Thammanpatty, Salem District.
37. The East India Tobacco Federation, MC Dowells Building, 2/6, 2nd Line Beach, Madras-1.
38. The North Arcot District Bidi and Tobacco Merchants' Association, 14, Koovathan Manikka, Chetti Street, Vellore.
39. The Snuff Manufacturers' Association, No. 48, Parish Venkatachala Ayyar Street, G.T., Madras.
40. The Tamilnadu Tobacco Merchants' Association, 67, Amman Sannathi, Madurai.
41. The Biri Manufacturers' Association, Bangalore.
42. The Tobacco Wholesale Dealers' Association, Bangalore.
43. The Mysore State Biri Manufacturers' Association, Banki Nawab Road, Madras.
44. The Mysore City Biri Manufacturers' Association, Mandi Mohalla, Mysore.
45. The Cigarette Tobacco Growers' and Curers' Association, Station Road, Govibidur, District Kolar.
46. The Chittode Tobacco Merchants' Association, Chittode.

VIII. NAGPUR COLLECTORATE

1. The Tobacco Bidi Merchants' Association, Bhopal (Bhopal State).
2. The Tobacco Dealers and Biri Manufacturers' Association, Guna (M.B.).
3. The Retail Tobacco Merchants' Association, Indore.
4. The Tobacco Merchants' Association, Ujjain.
5. The Tobacco Merchants' Association, Bercha, District Shajapur.
6. The Jabalpur Bidi and Tobacco Merchants' Association, Jabalpur.
7. The Madhya Pradesh Tobacco Dealers' Association, Miloniganj, Jabalpur.
8. The Raipur Tobacco Merchants' Association, Raipur.
9. The Tilda Merchants' Association, Tilda.
10. The Pendra-cum-Pendra Road Merchants' Association, Pendra Road.
11. The Bidi Tobacco Merchants' Association, Damoh, District Sagar.
12. The Madhya Pradesh Bidi Manufacturers' Federation, Jabalpur.
13. The Khamgaon Tobacco Dealers' Association, Khamgaon.
14. The Tobacco Merchants' Association, Itarsi.
15. The Bidi and Tobacco Merchants' Association, Nagpur.
16. The Wardha District Tobacco Merchants' Association, Wardha.
17. The Tobacco and Bidi Merchants' Association, Sagar.
18. The Berar Tobacco Merchants' Association, Akola.
19. The Bidi, Bidi Leaves and Tobacco Merchants' Association, Gondia, District Bhandara.
20. The Gondia Tobacco and Biri Merchants' Association, Gondia, District Bhandara.
21. The Tobacco Merchants' Association, Saoner.

APPENDIX IV—*contd.*

IX. PATNA COLLECTORATE

1. The Biri Manufacturers' Association, Jhajha (Monghyr).
2. The Gaya Tobacco Association, Gaya.
3. The Jhalda Biri and Tobacco Merchants' Association, Ranchi.
4. The Khajauli Tobacco Trade Association, Laharia Sarai (Darbhanga).
5. The Katihar Biri Tobacco and Biri Leaves Merchants Association, Purnea.
6. The Mazaffarpur District Tobacco Association, Hajipur, Muzaffarpur.
7. The Purnea District Hookah Tobacco Merchants' Association, Purnea.
8. The Ranchi Tobacco Dealers' Association, Cart Sarai Road, Ranchi.
9. The Sadar Manbhum Biri Tobacco and Biri Merchants' Association, Purulia.
10. The South Bihar Tobacco Merchants' Association, Jhajha (Monghyr).
11. The Tobacco Dealers' Association, Naugachhia, Begusarai (Monghyr).
12. The Tobacco Dealers' Association, Kusella, Purnea.
13. The Tobacco Merchants' Association, Purnea.
14. The Singhbhum Tobacco and Biri Merchants' Association, Chakardharpur, Singhbhum.
15. The North Behar Tobacco Association, Hajipur, District Muzaffarpur.
16. Biri Workers' Union, Biharsharif, Patna.
17. The Patna City Tobacco Merchants' Association, Patna City.

X. SHILLONG COLLECTORATE

1. Goalpara District Biri and Biri Tobacco Merchants' Association, P.O. Dhubri.

(ii) CHAMBERS OF COMMERCE

I. ALLAHABAD COLLECTORATE

1. The Merchants' Chamber of Commerce, U.P., Civil Lines, Kanpur.
2. The National Chamber of Industries and Commerce, U.P.C.G. Industries, Agra.
3. The Upper India Chamber of Commerce, Kanpur.
4. The Western U.P. Chamber of Commerce, Meerut Cantt.

II. BARODA COLLECTORATE

1. The Gujrat Vepari Mahamandal, Gujarat Samachar Building, Khanpur, P.O. Box No. 162, Ahmedabad-1.
2. The Surat Chamber of Commerce, Safe Deposit Chamber, Surat.
3. The Nawanagar Chamber of Commerce, Chamber Hall, Grain Market, Jamnagar District.
4. The Saurashtra Chamber of Commerce, Mahatma Gandhi Road, Bhavnagar.
5. The Porbandar Chamber of Commerce, Porbandar.

III. BOMBAY COLLECTORATE

1. The Bombay Chamber of Commerce, Mackinnon Mackenzie Building, Ballard Estate, P.O. Box No. 473, Bombay-1.
2. Indian Merchants' Chamber of Commerce, Lalji Naranji Memorial Indian Merchants' Chamber Building, Back Bay Reclamation, Bombay-1.

APPENDIX IV—*contd.*

3. The Maharashtra Chamber of Commerce, Industrial Assurance Building, Churchgate, Bombay-1.
4. The Mahratta Chamber of Commerce and Industries, Mahratta Chamber of Commerce and Industries Building, Tilak Road, Poona-2.
5. Poona Merchants' Chambers, 185, Bhawani Peth, Poona-2.
6. The Maharashtra Chamber of Commerce, Poona.

IV. CALCUTTA COLLECTORATE

1. The Associated Chamber of Commerce of India, Royal Exchange, Calcutta.
2. The Bengal Chamber of Commerce and Industry, Royal Exchange, Calcutta.
3. The Bengal National Chamber of Commerce, P-11, Mission Row, Extension, Calcutta-1.
4. The Berhampur Chamber of Commerce, Berhampur City, Ganjam District.
5. The Bharat Chamber of Commerce, Imperial Bank Building, Barra Bazar Branch, Calcutta-7.
6. The Hindustan Chamber of Commerce, 14/2, Clive Row, Calcutta.
7. The Indian Chamber of Commerce, 23-B, Netaji Subhas Road, Calcutta-1.
8. The Merchants' Chamber of Commerce, 173, Harrison Road, Calcutta-7.
9. The Orissa Chamber of Commerce, Malgodown, Cuttack.
10. The Cuttack Chamber of Commerce, Cuttack.

V. DELHI COLLECTORATE

1. The Federation of Indian Chambers of Commerce and Industry, 28, Ferozshah Road, New Delhi.
2. The Punjab and Delhi Chamber of Commerce, Scindia House, Curzon Road, New Delhi.
3. The Chamber of Commerce and Industry, Patiala (PEPSU).
4. The Rajasthan Chamber of Commerce and Industry, Johri Bazar, Jaipur City (Rajasthan).

VI. HYDERABAD COLLECTORATE

1. The Hyderabad (Dn.) Chamber of Commerce and Industries, 171, Chapal Road, Near Hyderabad State Bank, Hyderabad Deccan.
2. The Indian Chamber of Commerce, Guntur (Andhra State).
3. Chamber of Commerce and Industry, North Block, No. 42, Kaleswararad Market, Vijayawada-1.
4. Andhra Chamber of Commerce, Andhra Chamber Buildings, 272/3, Angappa Naick Street, Madras-1.

VII. MADRAS COLLECTORATE

1. The Cochin Chamber of Commerce, Fort Cochin.
2. The Ernakulam Chamber of Commerce, Ernakulam.
3. The Travancore Chamber of Commerce, Alleppy.
4. The Travancore-Cochin Chamber of Agriculture, Alwaye.
5. The Trivandrum Merchants' Chamber, Chalai, Trivandrum.
6. The Malabar Chamber of Commerce, Kozhikode (Madras State).
7. The Kanara Chamber of Commerce, Mangalore Port.
8. The Southern Indian Chamber of Commerce, Indian Chamber Building, Madras-1.
9. The Madras Chamber of Commerce, Dare House, Madras.

APPENDIX IV—*contd.*

10. The Andhra Chamber of Commerce, Angappa Naicken Street, Madras.
11. The Tamil Chamber of Commerce, 2, Vannier Street, Madras-1.
12. The Hindustan Chamber of Commerce, Linghi Chetty Street, Madras-1.
13. The Muslim Chamber of Commerce, Broadway, Madras.
14. Chamber of Commerce, Trichur.
15. The Hindusthan Chamber of Commerce, 11/12, Car Street, Netaji Subhas Chandra Bose Road, Madras.
16. The Indian Chamber of Commerce, P.B. No. 200, Coimbatore.
17. The Indian Chamber of Commerce, Tuticorin.
18. The Indian Chamber of Commerce Ltd., Virudhunagar.
19. The North Arcot District Chamber of Commerce, Officers Line, Vellore, North Arcot District.
20. The Palghat Chamber of Commerce, Palghat, South Malabar.
21. The Madurai-Ramnad Chamber of Commerce, 90—92, East Avanimoola Street, Madurai.
22. The Mysore Chamber of Commerce, Bangalore (Mysore State).

VIII NAGPUR COLLECTORATE

1. The Madhya Bharat Chamber of Commerce, 49, Sitlamata Bazar, Indore City (M.P.).
2. The Madhya Bharat Chamber of Commerce and Industry, Chamber Bhavan, Lashkar, Gwalior.
3. The Madhya Pradesh Chamber of Commerce, Temple Road, Civil Lines, Nagpur-1.

IX. PATNA COLLECTORATE

1. The Behar Chamber of Commerce, P.O. Box No. 71, Judge's Court Road, Patna.

X. SHILLONG COLLECTORATE

1. Assam Marwari Chamber of Commerce, Dibrugarh.
2. Kamrup Chamber of Commerce, Gauhati.
3. National Chamber of Commerce, Tinsukia, Assam.

(iii) CO-OPERATIVE SOCIETIES

I. ALLAHABAD COLLECTORATE

1. The Biri Workers' Industrial Co-operative Society Ltd., Rampur.
2. The President Co-operative Society C/o Rameshwar Prasad Oil Mills, P.O. Khejuri, District Ballia.

II. BARODA COLLECTORATE

1. Ahmedabad District Tobacco Manufacturers' Co-operative Society Ltd., Gomtipur, Chhinkniwala Estate, Ahmedabad-10.
2. The Palampur Co-operative Consumers' Society, Kamalpura. Palampur (N.G.).
3. The Gujrat Tobacco Co-operative Association Ltd., Nadiad, District Kaira.

III. BOMBAY COLLECTORATE

1. Ganapati Co-operative Purchase and Sale Society, Kolhapur.
2. Ganpati Co-operative Society, M.H. No. Makharbhag, Sangli, District South Satara.

APPENDIX IV—*contd.*

3. Sankleshwar Agricultural Produce Co-operative Society Ltd., Taluk Hukeri, District Belgaum.
4. The Belgaum District Co-operative Bank, Satwadi Road, Nipani, District Belgaum.
5. The Belgaum District Tobacco Growers' and Dealers' Co-operative Society Ltd., Nipani, District Belgaum.
6. The Belgaum District Co-operative Purchase Union, Satara Road, Nipani, District Belgaum.
7. The Belgaum District Co-operative Purchase and Sale Union Ltd. (Branch), Nipani, District Belgaum.
8. The Belgaum District Co-operative Sales Union Ltd., at and Post Bilhonga, District Belgaum.
9. The Co-operative Agricultural Purchase and Sale Society, at and Post Sankleshwar, District Belgaum.
10. The Shirol Co-operative Purchase and Sale Society, Shirol, District Kolhapur.
11. The Karad Co-operative Purchase and Sale Society Ltd., P.O. Karad District North Satara.

IV. CALCUTTA COLLECTORATE

1. The Dangikope Pochagar Co-operative Agricultural Marketing Society Ltd., P.O. Mathabanga, Cooch-Bihar (W.B.).
2. The Pakhihaga Agricultural Co-operative Multipurpose Society Ltd., Pakhihaga (W.B.).
3. The Rayaigada Tobacco Growers' Co-operative Society Ltd., Koraput (Orissa State).
4. The Rajpur Tobacco Growers' Co-operative Society, Ganjam (Orissa).
5. The Gudiapali Tobacco Growers' Co-operative Society Ltd., Gudiapali (Orissa State).

V. DELHI COLLECTORATE

1. Registrar, Co-operative Societies, Ajmer (Rajasthan).
2. Registrar, Co-operative Societies, Delhi.
3. Director, Rural Development and Co-operatives, Jammu and Kashmir Government, Srinagar (Jammu and Kashmir State).

VI. HYDERABAD COLLECTORATE

1. The Guntur District Tobacco Growers' and Curers' Co-operative Society Ltd., P. Box No. 23, Ongole, Guntur District.
2. The Virginia Tobacco Growers' Co-operative Society Ltd., Rajamundry, East Godavari District.
3. Registrar of Co-operative Societies and Marketing Officer, Coorg, Marcara.

VII. MADRAS COLLECTORATE

1. The Gobi Co-operative Sale Society, Gobichetti Palayam, District Coimbatore.
2. The Coimbatore Co-operative Marketing Society Ltd., Coimbatore.
3. The Jaffna Malayalam Tobacco Co-operative Society, Allepy.

VIII. NAGPUR COLLECTORATE

1. The Co-operative Tehsil Agricultural Association Ltd., Amarwara, District Amravati, (M.P.).
2. The Malkapur Tehsil Growers' Agricultural Co-operative Ltd., Malkapur, District Buldana.

APPENDIX IV—*contd.*

IX. PATNA COLLECTORATE

1. The Dholi Tobacco Grading and Marketing Association Ltd., Village Dholi, P.O. Sakra, District Muzaffarpur.
2. The Bhagwanpur Tobacco Grading and Marketing Association Ltd., Bhagwanpur, P.S. Lalganj, District Muzaffarpur.
3. The Pusaroad Tobacco Grading and Marketing Association Ltd., Pusa Road, Tajpur, District Darbhanga.
4. Beedi Workers' Co-operative Society Ltd., Biharshariff, Patna.

(iv) MEMBERS, INDIAN CENTRAL TOBACCO COMMITTEE

I. ALLAHABAD COLLECTORATE

1. Shri Bishan Man Singh, Chairman, State Board of Agriculture, Man Bhawan, Civil Lines, Fatehpur.
2. Shri H. H. Ashram Razvi of M/s Ahmad Hussain Dildar Hussain, Chowk, Lucknow.
3. Shri C. S. Prasad of M/s Badalram Lachhminarain, Tobacco Merchants, P.B. No. 4, Banaras City.
4. Shri S. Mehta, Proprietor, Virginia Tobacco Planters, Saharanpur, U.P.
5. Dr. B. L. Sethi, M.Sc. (Hons.), Ph.D. (Wales), Additional Director of Agriculture, Lucknow.

II. BARODA COLLECTORATE

1. Shri Ambalal Bawaji Patel, Tobacco Grower, Ramol, Petlad Taluk via Nadiad, District Kaira.
2. Shri C. A. Vyas, Chairman, Kaira District Central Co-operative Bank Ltd., Nadiad, District Kaira.
3. Dr. M. D. Patel, Director, Institute of Agriculture, Anand.
4. The Cotton Botanist, Bombay State, Surat.

III. BOMBAY COLLECTORATE

1. Shri R. K. Sholapurkar, B.Sc. (Ag.), Karbhariwada, P.O. Nipani, Taluk Chikodi, District Belgaum.
2. Shri Mohan Lal A. Parikh, B.A., C/o Mohan Lal Hargovinddas and Co., 51, Dadyseth Agiary Lane, Bombay.

IV. CALCUTTA COLLECTORATE

1. The Director of Agriculture, Writers Building, Calcutta.
2. Shri Ansaruddin Ahmad, Hospital Road, Cooch-Behar.
3. Shri W. E. Nicholson, P.O. Box No. 447, Calcutta-1.
4. Director of Agriculture and Food Production, Orissa, Cuttack.
5. Shri Gokulananda Satapathy, Village Kokalaba, P.O. Torsinghi, District Ganjam (Orissa).

V. DELHI COLLECTORATE

1. The Vice-President, Indian Council of Agricultural Research, Queen Victoria Road, New Delhi.
2. The Agricultural Commissioner with the Government of India, Indian Council of Agricultural Research, Queen Victoria Road, New Delhi.
3. The Agricultural Marketing Adviser to the Government of India, Directorate of Marketing and Inspection, 'P' Block, Raisina Road, New Delhi.
4. Shri B. K. Kochar, Deputy Secretary, Ministry of Commerce and Industry, Government of India, New Delhi.

APPENDIX IV—*contd.*

5. The Joint Secretary to the Government of India, Food and Agriculture Division, Ministry of Finance, New Delhi.
6. Shri B. N. Banerji, Member, Central Board of Revenue, New Delhi.
7. Shri Ganesh Dass Chourasia, C/o Maharaj Ganesh Dass Chourasia, Quality Beedi Manufacturers, Khari Baoli, Delhi.
8. Shri C. L. Patel, General Secretary, Federation of Rural Peoples Organization, 96, North Avenue, New Delhi.

VI. HYDERABAD COLLECTORATE

1. Director of Agriculture, Maha Bhoopal Manzil, Hyderabad.
2. Shri J. Vengal Rao, President, Khammameth District Farmers' Union, Kollur Village, Madhira Talug, Hyderabad State.
3. Mohd. Abdul Bari Khan, The Jubilee Cigarette Factory, Public Carden Road, Hyderabad.
4. Shri N. Prasad Rao, M. P. Arugolanu, Gannavaram Taluk, Krishna District (Andhra).
5. Shri J. Sivarama Prasad, P.O. Karenchedu *via* Chirala, District Guntur.
6. Shri Yarlagadda Siva Rama Prasad Bahadur Srimantha Raja, Kistna Distt.
7. Shri V. Dasaradha Ramaiah, B.Sc., President, Bhogapuram Panchayat Board, Eluru Taluq, West Godavari District.
8. Shri Raja Raghava Raju Yerrama Raju, Zamindar, Venkatapuram P.O. *via* Bhadrachalam, East Godavari District.
9. Shri Taliparthi Chakra Reddy, Santhapet Ongole Taluq, District Guntur.
10. Shri Anjaneyulu, Aka C/o M/s Majety and Aka, P.O. Box No. 58, Guntur.

VII. MADRAS COLLECTORATE

1. Shri G. Natarajan, B.A., B.T., Advocate and Mirasdar, Chinnavadugapalayam, Vadugapalayam, P.O. Palladam Taluk, District Coimbatore.
2. The Director of Agriculture, Chepauk, Triplicane, P. Box No. 412, Madras-5.
3. The Director of Agriculture, Mysore State, Sheshadri Road, Bangalore.
4. Shri M. L. Subbanna, Director of Agriculture, Office of the Director of Public Instruction, New Public Office, Bangalore-2.

VIII. NAGPUR COLLECTORATE

1. Shri Purshottam Bhai N. Patel, Tobacco Grower and Curer, P.O. Saoner, District Nagpur.

IX. PATNA COLLECTORATE

1. Shri Rameshwar Sahu, Member, Lok Sabha, Mohalla Gadiyani, P.O. Madhubani, District Darbhanga.
2. The Director of Agriculture, Behar, Patna.
3. Shri Basudeva Prasad Sinha, Village Jhiktia, P.O. Guru Bazar, Purnea.
4. Shri Ramachandra Prasad, Vice-Chairman, Local Board, Sadar Mahalla Kachi Sarai, Avendanand Home, Muzaffarpur.

X. SHILLONG COLLECTORATE

1. Economic Botanist to Government of Assam, Jorhat.
 2. Shri Anil Barua, Gauripur (Local), Goalpara District (Assam State).
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APPENDIX IV—*contd.*

(v) MEMBERS, TOBACCO EXPORT PROMOTION COUNCIL

I. ALLAHABAD COLLECTORATE

Nil

II. BARODA COLLECTORATE

Nil

III. BOMBAY COLLECTORATE

Nil

IV. CALCUTTA COLLECTORATE

1. Indian Leaf Tobacco Development Co., Mount Road, Madras-6.

V. DELHI COLLECTORATE

Nil

VI. HYDERABAD COLLECTORATE

1. Shri Gogineni Nageswara Rao, Tobacco Growers and Exporters, Tadikonda.
2. Majety and Aka, Tobacco Packers and Exporters, Guntur.
3. Shri G. Narhari, Tobacco Exporter, Guntur.
4. Shri K. Ramkrishnamurti of M/s Ramiah and Ramkrishnamurti & Co., Guntur.
5. Shri M. V. S. Rao of M/s M. V. S. Rao & Co., Tobacco Merchants, Guntur.

VII. MADRAS COLLECTORATE

1. The Director of Agriculture & Fisheries, Andhra, Mount Road, Madras-2, P. Box No. 5252.
2. Shri N. Krishnaswamy, 310/11, Linghi Chetty Street, Madras-1.
3. Shri T. M. Rangachari, Director, Guntur Tobacco Ltd., 2/6, Second Line, Beach, Madras.
4. Shri R. Deendayal, P. Box No. 205, Woriur, Tiruchirapalli.
5. The Deputy Chief Controller of Exports and Imports, Custom House, Madras.

VIII. NAGPUR COLLECTORATE

1. Shri Parmanand, M.L.A., C/o M/s Mohanlal Hargovind Das & Co., Jabalpur, M.P.

IX. PATNA COLLECTORATE

Nil

X. SHILLONG COLLECTORATE

Nil

(vi) OFFICIALS

I. ALLAHABAD COLLECTORATE

1. The Provincial Marketing Officer, (Food grains), U.P., P. Box No. 160, Lucknow.
2. The Director of Agriculture, U.P., Lucknow.
3. The Chief Secretary to the Government of U.P., Lucknow.
4. The Collector of Central Excise, Allahabad.
5. The Under Secretary to the Government of Vindhya Pradesh, Rewa.

APPENDIX IV—*contd.*

6. The Secretary to the Government of V.P., Revenue Department (Food and Civil Supplies), Rewa.
7. The Chief Secretary to Government of V.P., Rewa.
8. Director of Agriculture, V.P., Rewa.

II. BARODA COLLECTORATE

1. The Collector of Central Excise, Baroda.
2. The Marketing Officer, C/o The Secretary to the Government of Saurashtra, Development and Planning Department, Rajkot.
3. The Director of Agriculture, Saurashtra State, Jamnagar.
4. The Chief Secretary to the Government of Saurashtra, Jamnagar.
5. The Chief Secretary to the Government of Cutch, Bhuj.
6. Agricultural Officer, Kutch, Bhuj.
7. Officer in-charge, Beedi Tobacco Research Scheme, Institute of Agriculture, Anand.

III. BOMBAY COLLECTORATE

1. The Chief Marketing Officer, Bombay State, Poona.
2. The Marketing Research Officer, 9, Bake House Lane, Fort, Bombay.
3. The Director of Agriculture, Bombay State, Poona.
4. The Chief Secretary to the Government of Bombay, Bombay.
5. The Collector of Central Excise, P. Box 806, Fort, Bombay.
6. The Assistant Director of Civil Supplies, Agriculture and Forest Department, Sachivalaya, Bombay.
7. Cotton Botanist, Bombay, Athwa Lines, Surat.
8. The Agronomist, Beedi Tobacco Research Sub-Station, Nipani.

IV. CALCUTTA COLLECTORATE

1. The Joint Director of Agricultural Marketing, West Bengal, Writers Building, Calcutta.
2. The Chief Secretary to the Government of West Bengal.
3. The Collector of Central Excise, Calcutta.
4. The Deputy Director of Marketing, Orissa, Cuttack.
5. The Director of Agriculture, Orissa, Cuttack.
6. The Chief Secretary to the Government of Orissa.
7. The Officer-in-charge, Wrapper and Hookah Tobacco Research Station, Dinhata, Cooch-Behar, West Bengal.

V. DELHI COLLECTORATE

1. The Director of Agriculture, Jammu & Kashmir, Srinagar.
2. The Chief Secretary to the Govt. of Jammu & Kashmir, Srinagar.
3. The Marketing Officer, Punjab, 696, Model Town, Jullundur City.
4. The Director of Agriculture, East Punjab, Chandigarh.
5. The Chief Secretary to the Government of East Punjab, Chandigarh.
6. The Secretary (Agriculture), Govt. of Himachal Pradesh, Simla.
7. The Officer-in-charge, Marketing Officer, Dr. Chotabhai's Building, Civil Lines, Ajmer.
8. The Director of Agriculture, Ajmer.
9. The Chief Secretary to the Govt. of Ajmer.
10. The Director of Agriculture, Delhi State, Delhi.
11. The Secretary, Ministry of Food & Agriculture, Govt. of India, New Delhi.
12. The Secretary, Ministry of Commerce & Industry, Govt. of India, New Delhi.

APPENDIX IV—*contd.*

13. The Collector of Central Excise, Delhi.
14. The Chief Secretary to Govt. of Delhi, Delhi.
15. The Secretary, Central Board of Revenue, New Delhi.
16. The Deputy Director of Inspection, Customs & Central Excise, New Delhi.
17. The Director of Agriculture, Patiala & East Punjab States Union, Lower Mall, Patiala (PEPSU).
18. The Chief Secretary to the Govt. of PEPSU, Patiala.
19. The Director of Agriculture, Rajasthan, Jaipur.
20. The Secretary to Govt. of Rajasthan, Commerce & Industries Department, Jaipur.
21. The Chief Secretary to the Govt. of Rajasthan, Jaipur.
22. Shri M. L. Batra, P.C.S., Under Secretary, Finance (Expenditure) to the Delhi State Government, Delhi.

VI. HYDERABAD COLLECTORATE

1. The Chief Marketing Officer, Station Road, Hyderabad.
2. The Chief Secretary to the Govt. of Hyderabad, Hyderabad.
3. The Collector of Central Excise, Hyderabad.
4. The State Marketing Officer, Andhra State, P.B. No. 5252, Mount Road, Madras-2.
5. Director of Tobacco Research, Central Tobacco Research Institute, Guntur.
6. The Officer-in-charge, Cigarette Tobacco Research Sub-Station, Rajahmundry.
7. Shri Pratap Singh, Senior Marketing Development Officer, "Padma Vilas", Kottapet, Main Road, Guntur.
8. The Secretary to Government, Rural Reconstruction Deptt., Hyderabad (Dn.).

VII. MADRAS COLLECTORATE

1. The Director of Agriculture, Travancore-Cochin, Trivandrum.
2. The Chief Secretary to the Government of Travancore-Cochin, Trivandrum.
3. The State Marketing Officer, Old Engineering College, Chempauk, Madras-5.
4. The Chief Secretary to the Govt. of Madras.
5. The Collector of Central Excise, Madras.
6. The Chief Marketing Officer, Bangalore City, Co-operative Bank Building, Bangalore-2.
7. The Chief Secretary to the Govt. of Mysore, Bangalore.
8. Officer-in-charge, Cigar & Cheroot Tobacco Research Station, Veda-sundar, Dindigal, Madras State.
9. The Assistant Marketing Officer, Trichinapoly, Trichinapoly Distt.

VIII. NAGPUR COLLECTORATE

1. The Director of Industries, Madhya Bharat, Indore.
2. The Director of Agriculture, Madhya Bharat, Gwalior.
3. The Chief Secretary to the Govt. of Madhya Bharat, Gwalior.
4. The Provincial Marketing Officer, Madhya Pradesh, Amravati Road, Nagpur.
5. The Director of Agriculture, Madhya Pradesh, Nagpur.
6. The Chief Secretary to Govt. of M.P., Nagpur.

APPENDIX IV—*contd.*

7. The Collector of Central Excise, Nagpur.
8. The Director of Agriculture, Bhopal State.
9. The Chief Secretary to the Government of Bhopal.

IX. PATNA COLLECTORATE

1. The Senior Marketing Officer, Behar, P.O. Kadam Kuan, Patna.
2. The Chief Secretary to the Government of Behar, Patna.
3. The Collector of Central Excise, Patna.
4. The Officer-in-Charge, Hookah & Chewing Tobacco Research Station, Pusa, Bihar.

X. PONDICHERY COLLECTORATE

1. The Collector of Central Excise, Pondichery.

XI. SHILLONG COLLECTORATE

1. The State Marketing Officer, C/o The Director of Agriculture, Shillong, Assam.
2. The Director of Agriculture, Shillong (Assam State).
3. The Secretary to the Chief Commissioner, Manipur State, Imphal.
4. The Secretary to the Government of Tripura, Deptt. of Agriculture, Agartala.
5. The Chief Secretary to Government of Assam, Shillong.
6. The Collector of Central Excise, Shillong.

(vii) INDIVIDUALS

I. ALLAHABAD COLLECTORATE

1. Shri G. D. Sharma, M.A., LL.B., N.R.E.C. College, Chowk Bazar, Khurja.
2. Shri Satish Chandra Sharma (Warehouse Owner), Nawabganj, District Bareilly.
3. Shri Gurdialmal Sangamlal, Commission Agents, Purani Mandi, Muzaffarnagar.
4. Shri Rahfulal Harishchand, Tobacco Merchant & Commission Agents, Bamanji Road, Saharanpur.
5. Shri S. B. Nag, Advocate, 169, Madari Darwaza, Bareilly.
6. Tobacco Growers & Curers of Farrukhabad (U.P.).
7. The Meerut Beedi Factory, Kaisarganj Road, Meerut.

II. BARODA COLLECTORATE

1. Shri Ambalal F. Patel, Editor, The Tobacco, 2471/6, Municipal Building, Manek Chowk, Ahmedabad.
2. Maganlal Dayabhai Amin, Tobacco Merchant Bazar, St. Chikhli, District Surat.
3. Shri Purshottam Das Bhogilal Chikniwala, Tilak Maidan, Gontipur, Ahmedabad.
4. Shah Barilal Bhikhabhai & Co., Tobacco Merchants, Ranoli.
5. The Gujrat Tobacco Co., Vadod Taluka, Anand (W.R.).
6. Champaklal & Co., Navli Station, Anand.
7. Chaturbhai Bavajibhai Patel, Mogri, *via* Anand.
8. Ishvarbhai Laljibhai Patel, Chikhodra, Taluka Anand.

APPENDIX IV—*contd.*

III. BOMBAY COLLECTORATE

1. Shri V. B. More, 184, Thakurdwar Road, Bombay-2.
2. M/s Pioneer Industrial Tobacco Works, Imam Wada Road, Bombay-9.
3. M/s Bhiksu Yamasa Kshatriya, Sinnar, Distt. Nasik.
4. M/s Chimansa Yamasa & Raojisa Yamasa, 962, Bhagwat Tabela Lane, Nasik City.
5. M/s Tiwari & Sons, Tiwari Mahal, Nasik City.
6. M/s Parsharam Vishnu Joshi, Tobacco Commission Agents, Poona.
7. M/s Sable Waghire & Co., 105, Bhawani Peth, Poona-2.
8. Shri B. Anantha Ramakrishna Pai, General Merchant, Bazar Road, Hanavar (N.K.).
9. Shri M. K. Patêl, Tobacco Merchant, Main Bazar, Chopada (E.Kh.), Bombay.
10. Shri N. H. Athreya, M.A. C/o Bombay Management Association, Army & Navy Building, 3rd Floor, Bombay.
11. Shri Uttamlal Hemchand Shah, P.O. Pen., Distt. Kolaba, Bombay State.

IV. CALCUTTA COLLECTORATE

1. The Gujrat Tobacco Company, Nutanganj, Bankura, West Bengal.
2. Shri Satish Chandra Roy Singha, Okarabari, P.O. Balakandi, District Cooch-Bihar.
3. Shri Birendra Nath Roy Sarkar, Pokhihaga, P.O. Gossanimari, District Cooch-Bihar.
4. Shri Kishanlal Bhogirath, Tobacco Merchant, Dinhata, District Cooch-Bihar.
5. Shri D. C. Lakhotia, Tobacco Merchant, P.O. & Distt. Cooch-Bihar.
6. Shri Sushil Mohan Roy, Old Gitaldah via Dinhata, Dist. Cooch-Bihar.
7. Surendra Nath Nundy, Tobacco Merchant, 45-A, Adyasradhya Ghat Road, Calcutta.
8. Shri Jadulal Basak & Sons, Tobacco Merchants, P.O. Dinhata, Cooch-Bihar.
9. The Imperial Tobacco Co., Calcutta.

V. DELHI COLLECTORATE

1. Shri Shiv Karan Multan Mal, Biri Merchants, Churu (Rajasthan).
2. Shri Somchand Kudaram for the Biri Manufacturers of Sardarshahar (Rajasthan).
3. The Tobacco & Biri Manufacturers in Ajmer Circle.
4. The Bidi Manufacturers of Chhipa Barod C/o Shri Madanlal Shyam Sundar Goyal, Biri Manufacturers of Chhipa Barod, Rajasthan.
5. The Bidi Manufacturers of Ladnun, C/o Shri Nathumal Chauradia, Biri-Merchant, Ladnun, Rajasthan.
6. The Biri Manufacturers of Tonk, C/o Ishwar Das K. Brothers, Biri Manufacturers, Tonk, Rajasthan.
7. Shri Chandanmal Puranmal of Sanwar, Fatehnagar, Rajasthan.
8. Pt. Lila Ram, Masjid Moth, Delhi.
9. Marwar Tobacco Stores, Purani Mandi, Ajmer.
10. Shri Brij Kishore Chourasia, Pan Bidi Merchant, Sadar Bazar, Karnal.
11. Amar Chand Shiv Chand Rai, Fatehnagar, Rajasthan.

APPENDIX IV—*contd.*

VI. HYDERABAD COLLECTORATE

1. Kasri Bapireddi Tobacco Merchant, Penugonda, W. Godavari, Andhra.
2. Vardhineedi China Subbrao Tobacco Merchant, Palakol, W. Godavari.
3. Layisetty Veerabhadriedu Tobacco Merchant, Narasapur, W. Godavari.
4. Kota Govindraju Tobacco Merchant, Kavitam, W. Godavari.
5. Addanki Suranna, Tobacco Merchant, Doodi Patala, Narasapur (TK) West Godavari.
6. C. V. Raghavayya, Tobacco Merchant, Palakol, West Godavari.
7. Pamarty Jagahhadham, Tobacco Merchant, Palakol, Sudhra.
8. Palolu Venkatarananjulu, Tobacco Merchant, Bhimavaram, West Godavari.
9. K. Subbarayudu and Allabhaksh, Manufacturers of (Panna) and Jadi, Beedis, Usthepalliswamy Station, Kurnool.
10. M. Ramchandra Rao Naidu, Consultant, Central Excise, 34/233, Peta, Kurnool.
11. M/s Vazir Sultan Tobacco Co. Ltd., Secunderabad, Hyderabad.
12. M/s Venkata Subhiah, Tobacco Exporter, Guntur.
13. Desiraju Rama Rao & Co., Tobacco Exporters, Post Box No. 101, Guntur.
14. Ghanta Gopalakrishnaiah Chowdhary & Co., Leaf Tobacco Growers, Dealers & Exporters, Parchoor (via Chirala).
15. J. Govinda Rao, B.A., Tobacco Growers & Exporters, Arundelpet Post, Guntur.
16. Shri B. Gangarayudi Sastry, President, East Godavari Market Committee, Vanapalli, Kothapeta Tq., East Godavary Distt.
17. Shri N. V. Narasimham, Vice-President, Ayinavalli, Amalapuram Taluq, East Godavary Distt.
18. Shri K. Narahari, B.Sc. (Ag.) (Edin.), Yerragada, Cherala, P.O. Nagpur (TK), Andhra.
19. Shri Salyam Gangaraju Kapu, President, Enugantivaripeta, P.O. Muggalla, E. Godavary District.
20. Shri Mogatadakala Veranna, Village Munsiff, Raghudevapuram, Rajahmundry Tq., Andhra.

VII. MADRAS COLLECTORATE

1. Shri N. Ramaswamy, Tobacco Commission Agent & Broker, Madurai.
2. Subas Tobacco Stores, Wholesale & Retail Dealers in Beedi Leaves & Beedi Tobacco, "Jainath Building", Maidan Cross Road, Mangalore-1.
3. The Imperial Tobacco Co. of India, Bangalore.
4. Shri K. M. Ramaswamy, Representative of the Tobacco Producers of Kilakolathur Kilapaluvu via District Tiruchirapalli.
5. Shri P. Ramchandra Iyer, 23, Chinna Bayal Vethi, Tanjore.
6. Shri V. M. Kareem & Bros., Wholesale Tobacco Merchants and Commission Agents, Market Road, Ernakulam.
7. K. Joseph Kaniampampil, Tobacco H. Licency, Kadathiothy (T.C. State).
8. M. A. Cherian, Tobacconist, Kurathupugha (T.C. State).
9. O. S. A. Pitchai Mohideen Rawther, Tobacco Merchant, Illupur, P.O. Tiruchirapalli (TK) via Pudulsottah.
10. K. N. Karthikoyan, Tobacco Dealers, S.D.V. Road, Allepey.

APPENDIX IV—*concl'd.*

11. Shri K. Kora, M.D. (H), Wazhicampalithil, Nanthencode, Trivandrum.
12. V. B. Moideen Bava, Tobacconist, Ernakulam.
13. A. P. Zainul Aledeen, Tobacco & General Merchant, Chinnakada, Quilon.
14. T. P. R. C. Kannan, 39, Boologanatherkoil Street, Tiruchy, Madras.
15. Shri Kolla Venkaiah, Fourth Congress of Communist Party of India, P.O. Paleghat, Distt. Malabar (S. India).
16. Justice K. Ramaswamy Gounder, Pasar Post, *via* Erode, District Coimbatore.
17. C. Muthuswamy, Nochinagar, Manjanoor Post, Karur Taluk, District Trichy.
18. S. Jambulingam, Agriculturist, Thayampalayam Post, *via* Erode, Coimbatore District.
19. U. S. Durai Raj, S.Sc. (Agriculturist), Velur, Chattrapatti Post, Palani Taluk, Mathuri District.
20. M/s Spencer & Co. Ltd., Cigar Factory, Salai Road, Dindigal, Madras.
21. V. V. Rangaswami Mudaliar, Tobacco Merchant, Chittode, District Coimbatore.
22. Mysore Tobacco Co. Ltd., Mompagowda Road, Bangalore.
23. The Dum Dum Beedi Factory, Golachel.
24. Shri K. Pedda Reddy, B.A., Landlord, Chikkakurukodu Vill. P.O. Doddu Kunukodu, Mysore.

VIII. NAGPUR COLLECTORATE

1. Shri Ambalal Khodabhai & Co., Tobacco Merchant, Raghunathganj, P.O. Box No. 63, Katni (M.P.).
2. Shri R. K. Khare C/o Head Master, Shahpur, P.O. Shahpur (Magron), Distt. Sagar.
3. Shri Manoharabhai Patel, M.C.A. C/o M/s C. J. Patel & Co., Gonda, District Bhandara.
4. Shri Chintamanrao C/o M/s V. M. & Co., Sagar.
5. Shri Purushottambhai Narottambhai Patel, Tobacco Merchant, Nagpur
6. Atmaram Onkardas Naswale & Co., Amravati (Berar).

IX. PATNA COLLECTORATE

1. Shri Harinandan Thakur, Vill. Rampur Rahua P.O. Waris Nagar, Darbhanga.
2. Ramlalit Mahto, Village Majhulia, P.O. Dholi, Distt. Muzaffarpur.
3. Shri Ram Ashray Prasad Singh, at & P.O. Dalsingh Sarai, District Darbhanga.
4. D. Kewal Khani, Vill. & P.O. Din Elahi, Distt. Darbhanga.
5. Mahender Prasad Gupta S/o Ram Pragas, Vill. Majhulia, P.O. Dholi, District Darbhanga.
6. Nipani Tobacco Stores, Marwari Bazar, Samastipur, District Darbhanga.
7. Nipani Stores, Patna.

X. SHILLONG COLLECTORATE

1. Shri Til Bahadur Chetri, P.O. Jamaguri Hat, Distt. Darrang.

APPENDIX V

List of witnesses examined by the Committee

S. No.	Name of witness	Place where examined.	Date on which examined.
I. MADRAS COLLECTORATE			
1.	The Fort Cochin Tobacco Merchants' Association	Ernakulam	24-7-1956
2.	The Ernakulam Tobacco Merchants' Association.	Do.	Do.
3.	The Superintendent of Central Excise, Ernakulam.	Do.	Do.
4.	The Tobacco Merchants' Association, Coimbatore.	Coimbatore	25-7-1956
5.	Shri T. P. R. C. Kannan, Exporter and Snuff Manufacturer, Trichirapally.	Do.	Do.
6.	The Tamilnad Tobacco Dealers' Association, Madurai.	Do.	Do.
7.	The Coimbatore Biri Tobacco Merchants' Association, Coimbatore.	Do.	Do.
8.	The State Marketing Officer, Coimbatore	Do.	26-7-1956
9.	The Coimbatore Jilla Tobacco Merchants' Association, Erode, Distt. Coimbatore.	Do.	Do.
10.	The Nadu Palayam Tobacco Merchants' Association, Nadu Palayam, District Coimbatore.	Do.	Do.
11.	The Bhavani Tobacco Merchants' Association, Bhavani, Distt. Coimbatore.	Do.	Do.
12.	The Sundakhamuthur Tobacco Merchants' Association, P. O. Sundakhamuthur, Distt. Coimbatore.	Do.	Do.
13.	The Malabar Biri Tobacco Merchant's Association, Palghat.	Do.	Do.
14.	The Chettipalayam Tobacco Merchants' Association, P. O. Chettipalayam, Distt. Coimbatore.	Do.	Do.
15.	The Palladam Tobacco Growers and Dealers' Association, P.O. Palladam, Distt Coimbatore.	Do.	Do.
16.	The Assistant Collector, Central Excise, Coimbatore.	Do.	Do.
17.	Sarva Shree P. M. Palanaswamy, N. D. Natrajan and P.C. Palanswamy, Tobacco Dealers of Gobichettipalayam, Distt. Coimbatore.	Do.	Do.
18.	Shri L. T. Karle, M. L. A., representing the Growers and licensees of Hasan Distt.	Bangalore	27-7-1956
19.	Shri Ramchandra Rao, Advocate; representing the Growers of Arsikeri Taluq.	Do.	Do.

APPENDIX V—*contd.*

S. No.	Name of witness	Place where examined.	Date on which examined
20.	The Assistant Collector of Central Excise, Mysore Division, Bangalore.	Bangalore	27-7-1956
21.	The State Marketing Officer on behalf of the Director of Agriculture, Madras State.	Madras	30-7-1956
22.	Representatives of the Madras Provincial Beedee Factory Owners' Association, Madras.	Do.	Do.
23.	The Andhra Chamber of Commerce, Madras	Do.	Do.
24.	The Madras State Snuff and Tobacco Merchants Association, Madras.	Do.	Do.
25.	Shri Deen Dayal, Trichirapalli	Do.	Do.
26.	Shri Krishnaswamy of the Nicotine Sulphate Factory, Guntur.	Do.	Do.
27.	Shri Sanmugan Sundaram of Madras	Do.	Do.
28.	A Delegation of Tobacco Dealers of Madras	Do.	31-7-1956
29.	The Director of Agriculture and Fisheries, Andhra State, Madras.	Do.	Do.
30.	The Collector of Central Excise, Madras.	Do.	Do.
II. DELHI COLLECTORATE			
1	The Biri Manufacturers' Association, Jodhpur	Jodhpur	22-8-1956
2.	The Tobacco Merchants' Association, Jodhpur and 7 dealers of Jodhpur.	Do.	Do
3.	9 Chillam and Hookah Dealers of Jodhpur	Do.	Do.
4.	The Superintendent of Central Excise, Jodhpur	Do.	Do.
5.	A delegation of 14 dealers of Udaipur and 3 dealers of Bilwara.	Udaipur	24-8-1956
6.	Shri Bhupal Singh, Tobacco Grower of Village Ochhri.	Do.	Do.
7.	The Fatehnagar Tobacco Merchants' Association.	Do.	Do.
8.	The Marwar Tobacco Merchants' Association, Sanwar.	Do.	Do.
9.	The Registrar of Co-operative Societies, Ajmer	Ajmer	25-8-1956
10.	Shri Manilal Garbaldas of M/s Marwar Tobacco Stores.	Do.	Do.
11.	The Tobacco Biri Factory Owners' Association, Kaisarganj, Ajmer.	Do.	Do.
12.	The Snuff Manufacturers' Association, Beawar	Do.	Do.
13.	The Hookah Tobacco Dealers' Association, Beawar.	Do.	Do.
14.	The Assistant Collector of Central Excise, Ajmer.	Do.	Do.

APPENDIX V—*contd.*

S. No.	Name of witness	Place where examined.	Date on which examined.
15.	The Tobacco Dealers' Association, Delhi and two dealers of Delhi.	Delhi	27-8-1956
16.	Shri Ganesh Dass Chaurasia . . .	Do.	Do.
17.	The Tobacco Merchants' Association, Agra . . .	Do.	Do.
18.	Shri Kanhaiya Lal of Delhi . . .	Do.	Do.
19.	The Economic Botanist, Ferozepur . . .	Do.	28-8-1956.
20.	The Chief Marketing Inspector on behalf of the Registrar, Co-operative Societies, Delhi.	Do.	Do.
21.	The Collector of Central Excise, Delhi	Do.	Do.
III. CALCUTTA COLLECTORATE			
1.	The Joint Director of Agriculture Marketing Branch, Calcutta.	Calcutta	10-9-1956
2.	The Calcutta Biri Tobacco Merchants Association, Calcutta.	Do.	Do.
3.	M/s Surendra Nath Nandy (Private) Ltd., Calcutta.	Do.	Do.
4.	M/s Indian Leaf Tobacco Development Co. Ltd., Calcutta.	Do.	Do.
5.	The Collector of Central Excise, Calcutta . . .	Do.	11-9-1956
IV. PATNA COLLECTORATE			
1.	Shri Ram Iqbal Singh of Bithouli Ashram . . .	Patna	12-9-1956
2.	The Tobacco Marketing and Grading Association, Village Bathua.	Do.	Do.
3.	Representatives of the Tobacco Merchants of Patna.	Do.	Do.
4.	A Delegation of 12 Tobacco Dealers of South Bihar	Do.	Do.
5.	A Delegation of 4 Growers of North Bihar . . .	Do.	Do.
6.	The North Bihar Tobacco Association, Hajipur	Do.	Do.
7.	The Senior Marketing and Weighment Officer, Bihar Government, Patna.	Do.	Do.
8.	Delegation of Tobacco Dealers and Manufacturers of Bihar sharif.	Beharsharif	13-9-1956
9.	The Collector of Central Excise, Patna . . .	Patna	Do.
V. ALLAHABAD COLLECTORATE			
1.	The Surti Veopari Sangh, Banaras . . .	Banaras	14-9-1956
2.	The Uttar Pradeshia Tambaku Vyavosayee Sangh, Banaras.	Do.	Do.
3.	The Tobacco Dealers' Assn., Kanpur . . .	Do.	Do.
4.	The Assistant Economic Botanist on behalf of the Director of Agriculture, U.P., Lucknow.	Do.	Do.

APPENDIX V—*contd.*

S. No.	Name of witness	Place where examined.	Date on which examined.
VI. NAGPUR COLLECTORATE			
1.	Shri P. N. Patel, Grower of Saoner	Nagpur	18-9-1956
2.	The Director of Agriculture, M.P., Nagpur	Do.	Do.
3.	The Biri, Biri Leaves and Tobacco Merchants Association, Gondia.	Do.	Do.
4.	Shri S. B. Deshmukh, Grower of Saoner	Do.	Do.
5.	The Tobacco Merchants' Association, Saoner	Do.	19-9-1956
6.	The Tobacco Merchants' Association, Jabalpur	Do.	Do.
7.	The Biri and Tobacco Merchants' Association, Nagpur.	Do.	Do.
8.	The Deputy Superintendent of Central Excise (Preventive), Nagpur.	Do.	Do.
9.	The Collector of Central Excise, Nagpur	Do.	Do.
VII. HYDERABAD COLLECTORATE			
1.	Shri M. Ramchandra Rao of Kurnool	Guntur	3-10-1956
2.	The East Godawari Market Committee, Rajahmundry.	Do.	Do.
3.	The Indian Leaf Tobacco Development Co., Ltd., Guntur.	Do.	Do.
4.	The Indian Chamber of Commerce and M/s. Maddivenkata Subbiah of Guntur.	Do.	Do.
5.	The Guntur District Tobacco Growers' and Curers' Co-operative Society Ltd., Ongole.	Do.	Do.
6.	The Country Tobacco Merchants' Association, Vijaywada.	Do.	4-10-1956
7.	The Indian Merchants' Association, Guntur	Do.	Do.
8.	The Biri Merchants' Association, Guntur.	Do.	Do.
9.	The Tobacco By-Products' Association, Guntur	Do.	Do.
10.	The State Marketing Officer and the Tobacco Extension Officer, Andhra State.	Do.	Do.
11.	Shri Gogini Nageswara Rao and Shri M.B. Subarao of Tadikonda.	Do.	Do.
12.	Shri S. N. Ranga Rao, Vice President, Market Committee, Guntur.	Sattanapalle	5-10-1956
13.	The Tobacco Merchants' Association, Sattanapalle	Do.	Do.
14.	Delegation of growers of Sattanapalle	Do.	Do.
15.	Shri Wavilala Gopala Krishnaiya, M. L. A. of Sattanapalle.	Do.	Do.
16.	The Assistant Collector Central Excise, Guntur	Do.	6-10-1956

APPENDIX V—*contd.*

S. No.	Name of witness	Place where examined.	Date on which examined.
17.	The Economic Botanist and Research Officer, Madhira.	Hyderabad	8-10-1956
18.	The Collector of Central Excise, Hyderabad	Do.	Do.
19.	The Inspector, (Prev. & Int.), Hyderabad Division	Do.	Do.

VIII. BOMBAY COLLECTORATE

1.	The Sangli Tobacco Merchants' Association, Sangli	Miraj	16-10-1956
2.	Shri Venkatraya Pai of Mangalore	Do.	Do.
3.	The Agricultural Produce Market Committee, Sangli.	Do.	Do.
4.	A Delegation of Growers of Islampur	Do.	Do.
5.	The Merchants' League, Nipani	Nipani	17-10-1956
6.	Shri M. J. Raval, Tobacco Grower	Do.	Do.
7.	A Delegation of Growers of Village Saundalga	Do.	Do.
8.	The Jaysingpur Tobacco Merchants' Association	Jaysingpur	18-10-1956
9.	Shri B. D. Makdam Tobacco Grower of Village Udgaon.	Do.	Do.
10.	Shri J. N. Patil, Grower of Village Shirōti	Do.	Do.
11.	The Jaysingpur Peasants' Co-operative Union	Do.	Do.
12.	All India Tobacco Conference, Bombay	Bombay	19-10-1956
13.	The Indian Tobacco Merchants' Association	Do.	Do.
14.	The Panvel Tobacco Merchants' Association	Do.	Do.
15.	The Upnagar Tambakoo Vyapari Mandal, Andheri, Bombay.	Do.	20-10-1956
16.	The Greater Bombay Tobacco Merchants' Mandal, Kurla, Bombay.	Do.	Do.
17.	The Collector of Central Excise, Bombay	Bombay	20-10-1956

IX. BARODA COLLECTORAT

1.	The Gujarat Tobacco Merchants' Association, Anand.	Anand	22-10-1956
2.	The Tobacco Merchants' Association, Nadiad	Do.	Do.
3.	The Tobacco Merchants' Association, Bajwa	Do.	Do.
4.	The Jharola Tobacco Growers Association	Do.	Do.
5.	Shri D.S. Patel of Vaso	Do.	23-10-1956

APPENDIX V—*concl'd.*

S. No.	Name of witness	Place where examined.	Date on which examined.
6.	The Kaira District Tobacco Merchants' Association.	Anand	23-10-1956
7.	The Kheda Jilla Khedut Sangh	Do.	Do.
8.	The Collector of Central Excise, Baroda	Do.	Do.
9.	The Ahmedabad District Tobacco Growers	Do.	24-10-1956
10.	Shri Ambala F. Patel, Editor, "The Tobacco", Ahmedabad.	Do.	Do.
11.	The Ahmedabad Tobacco Merchants' Association	Do.	Do.
12.	The Gujarat Chamber of Commerce, Ahmedabad	Do.	Do.



APPENDIX VI

List of persons who sent replies to the questionnaire.

ALLAHABAD COLLECTORATE

1. The Banaras Surti Vepari Sangh, Banaras.
2. The Uttar Pradeshiya Tambakoo Vyavasayee Sang, Banaras.
3. The Tobacco Dealers' Association, Naughara (Ramganj), Kanpur.
4. The Tobacco Merchants' Association, Chatta Bazar, Agra.
5. Shri C. S. Prasad of M/s Badalram Lachminarain, Tobacco Merchants, P.B. No. 4, Banaras City.
6. The Director of Agriculture, U.P., Lucknow.
7. The Collector of Central Excise, Allahabad.
8. The Under Secretary to the Government of Vindhya Pradesh, Rewa.

BARODA COLLECTORATE

1. The Ahmedabad Tobacco Merchants Association, Hathipura, Ahmedabad.
2. The Gujerat Tobacco Merchants Association, Anand, Distt. Kaira.
3. The Kheda Jilla Khedut Sangh at & P.O. Boriavi, Distt. Kaira.
4. The Nadiad Tobacco Merchants Association, Near Santram Tower, Nadiad, Distt. Kaira.
5. Shri M. M. Patel, President, Broach Tobacco Merchants' Association, Natopore Bazar, Broach.
6. The Bajwa Tobacco Merchants Association, Bajwa, Distt. Baroda.
7. The Zarola Tobacco Merchants Association, Zarola, Distt. Kaira.
8. The Kaira Distt. Tobacco Merchants Association, Station Road, Nadiad.
9. The Gujerat Vepari Mahamandal, Gujerat Samachar Building, Khanpur, P.O. Box No. 162, Ahmedabad-1.
10. The Collector of Central Excise, Baroda.
11. The Director of Agriculture, Saurashtra State, Jamnagar.
12. Agriculture Officer, Kutch, Bhuj.
13. Shri Ambalal F. Patel, Editor "The Tobacco", 2471/6 Municipal Building, Manek Chowk, Ahmedabad.
14. Shri Purshottam Das Bhogilal Chikniwala, Tilak Maidan, Gomtiपुर, Ahmedabad.

BOMBAY COLLECTORATE

1. The Merchants Association, Jaysingpur, At Post, Jaysingpur.
2. The Sangli Tobacco Merchants Association, Sangli Distt. South Satara.
3. The Indian Tobacco Merchants' Association, Bombay Tobacco Warehouse, Clive Road, Bombay-9.
4. Shri Hasan Ali, Saleh Mohd. Convener, All India Tobacco Conference, Bundeally Building, Vallabh Bhai Patel Road, Dongri, Bombay-9.
5. Merchants' League, Nipani, at & Post, Nipani, Distt. Belgaum.
6. The East and West Kandesh Tobacco Merchants Association, Amalner.
7. The Panvel Tobacco Association, at Post Panvel, Distt. Kolaba.
8. The Collector of Central Excise, P.B. No. 806, Fort, Bombay.
9. The Cotton Botanist, Bombay, Athwa Lines, Surat.

APPENDIX VI—*contd.*

10. Shri M. K. Patel, Tobacco Merchant, Main Bazar, Chopada (E. Kh.), Bombay.
11. Indian Merchants Chamber, Bombay.

CALCUTTA COLLECTORATE

1. The Beldanga Tobacco Dealers Associations, Beldanga, Distt. Murshidabad.
2. The Calcutta Biri Tobacco Merchants Association, 1, Rupchand Roy Street, Calcutta-7.
3. The Dinhata Tobacco Merchants Association, P.O. Dinhata, Cooch-Bihar.
4. The Tobacco Merchants Association, P.O. Falakata, Distt. Jalpaiguri.
5. Shri Ansaruddin Ahmed, Hospital Road, Cooch-Bihar.
6. Shri Gokulananda Satapathy, Vill. Kokalaba, P.O. Torsinghi, Distt. Ganjam (Orissa).
7. The Berhampur Chamber of Commerce, Berhampur City, Ganjam Distt.
8. The Joint Director of Agri. Marketing, West Bengal, Writers Building, Calcutta.
9. The Chief Secretary to the Government of West Bengal.
10. The Collector of Central Excise, Calcutta.
11. Shri Surendra Nath Nundy, Tobacco Merchant, 45A, Adyasradhya Ghat Road, Calcutta.
12. Shri Jadulal Basak and Sons, Tobacco Merchants, P.O. Dinhata, Cooch-Bihar, Bengal.
13. Imperial Tobacco Co., Calcutta.

DELHI COLLECTORATE

1. The Biri Manufacturers Association, Tripoli Bazar, Jodhpur (Rajasthan).
2. Tobacco Merchants Association, 349, Katra Janglimal, Chawri Bazar, Delhi.
3. Cigarettes Bidis, Tobacco Sellers Union, Ambala Cantt., Punjab.
4. Shri Ganesh Dass Chourasia, C/o Maharaj Ganesh Dass Chourasia, Quality Beedi Manufacturers, Khari Baoli, Delhi.
5. Registrar, Co-operative Societies, Ajmer (Rajasthan).
6. Registrar, Co-operative Societies, Delhi (Delhi State).
7. The Director of Agriculture, East Punjab, Chandigarh (E.P.)
8. The Collector of Central Excise, Delhi.
9. The Dy. Director of Inspection, Customs and Central Excise, New Delhi.
10. The Chief Secretary to the Government of PEPSU, Patiala.
11. Marwar Tobacco Stores, Purani Mandi, Ajmer.
12. Shri Purshottam Das Chatur Bhai, Naya Bans, Delhi.
13. Shri Nabhraj Lalaram, Naya Bans, Delhi.
14. Shri Babu Lal Magan Lal Shah, Ishwar Bhawan, Delhi.
15. Shri Tulshi Bhai, 111, Gododia Market, Delhi.
16. Raman Lal Govind Lal, Naya Bans, Delhi.
17. Dip Chand Vakil Chand, Naya Bans, Delhi.
18. Dwarka Das Gordhan Das, Naya Bans, Delhi.
19. Tulsibhai Gordhan Bhai Patel & Co., Naya Bans, Delhi.
20. Lalchand Gupta, Naya Bans, Delhi.

APPENDIX VI—contd.

21. Jagannath Dilip Singh, Naya Bans, Delhi.
22. Khemraj Devi Sahai, Rewadi, Punjab.
23. Kanhaialal Devi Sahai, Chawri Bazar, Delhi.
24. Pukhraj Padamraj, Tobacco Merchants, Tripoli, Jodhpur.
25. Ram Ratan Ram Karan, Kandoi Bazar, Jodhpur.
26. Tirath Ram Namle, B.Sc., Proprietor of M/s Arjan Mal Shehar Das, Bara Bazar, Ferozpur City, Jullundur.

HYDERABAD COLLECTORATE

1. The Andhra Tobacco Association, Eastern Street, Falkhana, Subhas Nagar, Hyderabad.
2. The Reddipalli Agraharam Tobacco Merchants' Association, Reddipalli, Agraharam, Bheemunipatnam TK; Vishakapatnam Distt.
3. The Tobacco Dealers and Beedi Manufacturers Association, Kurnool.
4. The Country Tobacco Merchants Association, Ramagopal Street, Vijayawada-1.
5. Director of Agriculture, Maha Bhoopal Manzil, Hyderabad (Deccan).
6. The Guntur Distt. Tobacco Growers and Curers Co-operative Society Ltd., P. Box No. 23, Ongle District.
7. The Indian Chambers of Commerce, Guntur (Andhra St.).
8. The Andhra Chamber of Commerce, Andhra Chamber Building, 272/3 Angappa Naick Street, Madras-1.
9. The Collector of Central Excise, Hyderabad.
10. M. Ramchandra Rao Naidu, Consultant, Central Excise, 34/233, Peta, Kurnool.
11. M/s Venkata Subhiah, Tobacco Exporters, Guntur.

MADRAS COLLECTORATE

1. The Tobacco Merchants Associations, Palladan (Madras State).
2. The Coimbatore Tobacco Merchants Association, Coimbatore.
3. The Tobacco Merchants Association, Podukkottai.
4. The Kasarged Taluk Tobacco Growers Association, Post, Pallikere, South Kanara Distt.
5. The Madras Provincial Beedi Factory Owners Assn., No. 55, Basin Bridge Road, Washermanpet, Madras.
6. The Tamilnadu Tobacco Merchants Association, 67, Amman Sannathi, Madurai.
7. The Chittode Tobacco Merchants Association, Chittode.
8. The Director of Agriculture, Chepauk, Triplicane, P.B. No. 412, Madras-5.
9. The Kanara Chamber of Commerce, Mangalore Port.
10. The Chief Secretary to the Government of Travancore-Cochin, Trivandrum (T. C. State).
11. The Collector of Central Excise, Madras.
12. The Chief Marketing Officer, Bangalore City, Co-operative Bank Building, Bangalore-2 (Mysore State).
13. O.S.A. Pitchai Mohideen Rawther, Tobacco Merchant, Illupur P.O. Trichirapalli (TK) via Pudukottah.
14. T. P. R. C. Kanan, 39, Boologanatharkoil Street, Tiruchy, Madras.
15. S. Jambulingam, Agriculturist, Thayampalayam Post via Erode, Coimbatore Distt.
16. U.S. Durai Raj, B.Sc., (Agriculturist) Velur, Chattrapathi Post, Palani Taluk, Mathuri Distt.

APPENDIX VI—*concl'd.*

17. M/s Spencer and Co. Ltd., Cigar Factory, Salai Road, Dindigal, Madras.
18. K. V. Rangaswami Mudaliar, Tobacco Merchant, Chittode, Coimbatore Distt.
19. The Director of Agriculture and Fisheries, Andhra, Mount Road, Madras-2, P.B. No. 5252.

PATNA COLLECTORATE

1. The North Behar Tobacco Association, Hajipur, Distt. Muzaffarpur.
2. Tobacco Grading and Marketing Association Ltd., P.O. Bhagwanpur, Muzaffarpur (O.T.Rly).
3. Tobacco Grading and Marketing Association Ltd., Pusa Road, Darbhanga.
4. The Patna City Tobacco Merchants Association, Patna City.
5. The Senior Marketing Officer, Behar, P.O. Kadamkuan, Patna.
6. The Collector of Central Excise, Patna.
7. Shri Harinandan Thakur, Vill. Rampur Rahua, P.O. Warrisnagar, Distt. Darbhanga.

NAGPUR COLLECTORATE

1. The Madhya Pradesh Tobacco Dealers Association, Meloniganj (M.P.)
2. The Bidi, Biri Leaves and Tobacco Merchants Association, Gondia, Distt. Bhandara.
3. Shri Purshottam Bhai N. Patel, Tobacco Grower and Curer, P.O. Saoner, Distt. Nagpur (M.P.)
4. The Chief Secretary to the Government of Madhya Bharat, Gwalior.
5. The Director of Agriculture, Madhya Pradesh, Nagpur.
6. The Collector of Central Excise, Nagpur.
7. The Director of Agriculture, Bhopal State, Bhopal.
8. Shri Ambalal Khodabhai and Co., Tobacco Merchant, Raghunathganj, P.B. No. 63, Katni (M.P.) (C.Rly).

PONDICHERRY COLLECTORATE

1. Collector of Central Excise, Pondicherry.

SHILLONG COLLECTORATE

1. The Collector of Central Excise, Shillong.
2. Goalpara Distt. Biri & Biri Tobacco Merchants' Association, Dhubri Assam.
3. Tilbahadur Chetri, Jamaguri Hat Distt. Durrang, Assam.

APPENDIX VII

Copy of letter dated 18th May, 1956 from the Secretary, the London Chamber of Commerce Incorporated.

This memorandum is addressed to the Tobacco Expert Committee on the assumption that the terms of reference setting out the scope of the enquiry which the Committee is now conducting are sufficiently wide to enable cognizance to be taken of any significant feature of the present fiscal arrangements which may adversely affect the production of tobacco in India. The subject of the memorandum is of such importance to the healthy growth of India's tobacco production that the London Chamber of Commerce has felt moved to make this representation with a view to bringing the matter as quickly as possible to the notice of the competent authorities so that remedial action may be taken before substantial harm is done.

The London Chamber understands that there has recently been introduced into the State of Andhra a tax which is applied to leaf tobacco at the point of first sale and that contrary to the usual practice in regard to such taxes, no remission is made in respect of tobacco which is subsequently exported out of India. As a consequence the price of Indian flue-cured tobacco in international markets will rise by from 1d. to 2d. a lb. according to the quality of the tobacco. Such a rise in price would at any time cause concern but, as will be shown it may in the circumstances now prevailing in the international markets, of which the London Market is for Indian tobacco the most important, gravely affect the sale of Indian tobacco in these markets in the future.

The charge, insofar as it relates to tobacco which is exported, is tantamount to an export duty. The Chamber is not sufficiently conversant with the constitutional position in India to appreciate how far the authority for imposing such a charge may be divided between the Central Government and a State Government. All that it can usefully say on this point is that export duties in general are dangerous and can only be applied with any degree of safety when the commodity is not exported by other countries, or is exported only in very small quantities. This is certainly not the case with tobacco; on the contrary good quality tobacco both flue-cured and other, is now being increasingly produced in a number of countries and much of it is being offered in the world markets. On general grounds, therefore, the new measure is of very questionable wisdom.

This general conclusion is reinforced by a number of special circumstances. Indian flue-cured tobacco first made its appearance in substantial quantities in world markets about 25 years ago, and it then fell very far short in a number of respects of the standards required by those who purchase tobacco for manufacture. Since that time, as a result of research and development carried out both by the Government and by those directly concerned with the production of this variety of tobacco in India, considerable strides have been made and Indian tobacco has now won for itself some position in the London and Continental markets. This position, however, cannot by any means be regarded as secure, for Indian tobacco is not yet able to compete in all respects with other tobaccos being offered in the world market and its saleability depends upon certain qualities only. The two main qualities are price and colour; in flavour Indian tobacco is still far behind similar tobaccos produced by other countries. Because of this fact, manufacturers now buy Indian tobacco solely for the purpose of

blending with tobaccos which are better flavoured and are more highly priced, their object being to improve the colour of the blend and to reduce its cost. In other words, of the qualities which the purchaser looks for in Indian tobacco the most important is that of price.

As the Committee is probably aware, the evolution of first class flue-cured tobacco is a slow and laborious process. The tobacco growing areas in the Southern parts of the United States enjoy climatic conditions which are not reproduced elsewhere, and the producers there have moreover the benefit of many years of intensive research and experience in the selection of seeds, culture of the plant and treatment of the leaf. Other countries, including India, have drawn upon this experience and have to some extent improved their product but none of their tobaccos can yet match the true Virginia leaf. They must be looked upon as ordinary 'filler' types.

Of these other countries by far the most important is Rhodesia which has made very great strides over the past few years and now produces tobacco that, on its own all-round merits as well as because of dollar shortage, has earned for itself a very large share of the London Market. Perhaps encouraged by Rhodesia's success other countries have come into the market and some of their tobacco are of good quality and promise to be even better in the years to come.

There is a further point which now handicaps India in competition with those other countries and that is the delay between the times of packing and shipping from ports due to transport difficulties. This results in loss of colour and the risk of insect infestation, both of which are important factors in the eyes of the English manufacturers.

India's position in this market cannot, therefore, be regarded as secure. Chiefly because of its price, and partly also because of energetic and skilful marketing by the major interests, the quantities sold here have steadily increased and, given reasonably stable conditions, these quantities might perhaps continue to be required. Even so, the energy and resource now being shown by other tobacco producing countries indicates that India's position will be constantly under threat.

Rhodesia in particular is pushing rapidly ahead with its tobacco development. In order to maintain and even improve upon the commanding position which it has already won for its tobacco in the London Markets it is increasing its expenditure on research and the Rhodesia Tobacco Association are asking the Government to increase its grant by over 70 per cent. for the next 5 years and have offered to make use of their accumulated reserve funds to supplement this grant. The Association has now built up a team of young, highly qualified research workers and is in a position to press on with basic research on urgent problems relating to plant breeding, pathology, entomology, nematology, soil studies and the like. If India is to stay in the market alongside so enthusiastic and vigorous a competitor and with others who are now appearing she will clearly have to match their efforts by her own. India's tobacco is far behind Rhodesian tobacco in flavour and many years of research and experiment will be necessary if this gap is to be narrowed. In the meantime every effort must be made to ensure that the advantage which Indian tobacco now possesses in regard to price and usage is not diminished, and it is not irrelevant that the prices of Rhodesian tobacco have fallen in the past few months. Manufacturers will, therefore, be less inclined than normally to accept Indian tobaccos, and their reluctance will be enhanced if the natural price of Indian tobaccos is inflated by the State tax.

The Chamber urges, therefore, that very serious consideration be given to this matter at the highest level and that if possible Indian tobaccos should at once be relieved of what is bound to be a serious, and may perhaps be a fatal, handicap in competing with the tobaccos of other countries in this market.

There is much goodwill in this country towards Indian progress and it would be a great disappointment if all the efforts which have been made during the past two decades to win for Indian tobacco a reasonable share of the London Market were now to be defeated by short-sighted action. If a steady supply of good quality Indian tobacco can be maintained at prices which are competitive, and if over the next few years real progress can be made in improving the flavour of Indian tobacco in order to give it more appeal, there is no reason why this useful export trade should not be maintained, providing, of course, that there is no reduction in the overall consumption of tobacco in the U.K. Goodwill, however, can do little by itself, and every effort must be made both to preserve intact the merits which have hitherto commended Indian tobacco to purchasers and to improve upon them.

